

**“MP 305”**



**BUDGET/AND REVIEWED IDP**  
**2014/15 TO 2016/17**

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## PART 1 – ANNUAL BUDGET

### 1. MAYOR's REPORT

Honourable Speaker Cllr LBR Dhlamini

Chief Whip of Council Cllr SG Msibi

Honourable Members of Mayoral Committee Cllrs BG Sekhonde and M Ntuli

Chairperson of MPAC Cllr M S Zacarias and Municipal Public Accounts Committee (MPAC) members

Honourable Councillors present

Executive Mayors, Speakers and Chief Whips of our Neighbouring Municipalities

Chairpersons and members of Council section 79 Committees

Leaders of political parties

Chairperson of the Audit Committee Mr A C Keyser and members

Municipal Manager Mr LB Tshabalala and the entire management team of Lekwa

Leaders from various religious denominations

Representatives from the business fraternity, private sector and other institutions

Senior officials from Sector Departments

Delegates from our Government parastatals

Our Traditional Healers

Esteemed Guests

Ladies and Gentlemen

All protocol observed

Good afternoon

Honourable Speaker allow me to warmly welcome all dignitaries and honoured guests present here today, just days after our President J G Zuma was inaugurated in celebration of the fifth democratically elected government and as we celebrate 20 years of freedom. Your presence here today confirms that there is a desire to move forward, mindful of the past and the lessons to be learnt to take Lekwa forward in the right direction. Let me take this opportunity to congratulate our own local resident and fellow comrade, Mrs Nokukhanya Mthembu for her deployment as a member to the National Assembly. We know you will keep flying our flag high!

We also want to congratulate Mpumalanga Province, under the skilled leadership of Hon Premier DD Mabuza, for having increased representation in the National Cabinet to six with [***Mahlobo / Makwetla / Mashego – Dhlamini / Masuku / Chikunga / Manana***]. This includes the appointment of Honourable Minister David Mahlobo, as Minister for State Security. We really appreciate Msholozu for these opportunities given to our leaders from Mpumalanga.

The ANC has once again, through its victory in the recently held national elections, received the mandate to move South Africa forward. We are humbled by this gesture and we must now begin serious work to delivery on this mandate. As highlighted on 21 May 2014, in the acceptance speech of Premier DD Mabuza when sworn in at the provincial legislature, that it is humbling that the people of Mpumalanga have once again shown trust in the ANC to continue to lead their government.

He went on to say that we cannot fail our citizens, regardless of who people voted for. This gives us a clear mandate that we must put aside our differences, find unity in our diversity and move progressively forward.

But may we also observe a moment of silence and remember especially those killed in the recent taxi unrests. May their souls rest in peace.

Distinguished guests, ladies and gentlemen, we are gathered here today to reflect on the year passed. Our short comings, our challenges, our victories and our successes, not only as the Municipality but on a wider level to make an assessment that can steer us forward. Key to this is to look at factors that have a great impact on the socio-economic profile of our Municipality.

## **MUNICIPAL OVERVIEW**

Lekwa's population estimated to be 115 662 (One hundred and Fifteen thousand Six hundred and Sixty two) and just over 31 000 (Thirty one thousand) households. Stats SA 2011 Census has provided critical information that will continue to inform the future planning and development for and of Lekwa:

- An unemployment rate of 25.9%
- Youth unemployment rate of 35.2%
- Employment rate is at 13.2% of the District's employed population with 71.4% in the formal sector and 16.8% in the informal sector

Information obtained more recently from the Mpumalanga Department of Finance also highlighted the following key findings in respect of Lekwa's 2012 socio-economic profile which among other reflects the following:

- The population with matric and higher is at 35.8%, which shows improvement, but is still lower than the District average (37.3%) and the Province average (38.8%)
- The population of 20 years and older with no schooling is at 11.2%, which is better than the District at 13.3%
- The matric pass rate for 2013 was 78.5%, which shows improvement;
- The HIV prevalence, from a survey among pregnant women (between 15 to 49) attending antenatal clinic stands at 32.5%, down from 50% in 2010
- The HIV prevalence, excluding pregnant women is at 19.9%, also down from 22.78% in 2010, there has also been a reduction in TB cases from 843 (Eight Hundred and Forty Three) in 2010 to 611 (Six hundred and Eleven) in 2011
- With the appointment of an official dedicated to coordinating HIV/Aids activities, we hope to have a more hands-on approach to dealing with this pandemic that affects us all in one way or another
- An average household income of R88 440 (Eighty Eight Thousand Four Hundred and Forty) a year, the fifth highest in the Province;
- A poverty rate of 33.5% or 39 428 (Thirty Nine Thousand Four Hundred and Twenty Eight) poor people
- The bottom, 40% of the poorest people share 8.7% of the total income of Lekwa LM
- Lekwa contributed 10.4% to the District's economy,
- Sectors contributing the most to the economy included community services 20%, utilities 14.7%, agriculture 9.72% and mining 19.3%
- Tourism only contributed 8.4% towards the District figure and 1.3% to the Province.

It can thus be clearly seen that Lekwa is not taking full advantage of the tourism potential that the area has and neither is it the agricultural hub that it used to be famous for. We hope that the Expo and Jazz festival planned for September this year will begin to turn this around!

In respect of basic service delivery, Lekwa is ranked third highest after Steve Tshwete and Govan Mbeki on the Basic Service delivery index. All Lekwa's basic service indicators per household are better than the Gert Sibande District and provincial levels in respect of the following:

- ✓ Water provision, inside a yard or house or by communal stand pipe is at 97% which is better than both the District at 91% and the Province at 87%;
- ✓ Sanitation provision by flush, chemical toilet or pit toilet is at 94.9% while the District is at 89% and the Province at 87%
- ✓ Electricity for lighting is at 88.6% while the District is at 83.4% and the Province at 86.4%
- ✓ Refuse removal is at 82.2% while the District sits at 63.6% and the Province at 42.4%

Having noted these strides made, we do acknowledge that especially over the last few months, serious challenges came up, more so regarding water and electricity provision and that refuse removal is not as we wish it should be. It is quite clear that much still needs to be done to ensure that these are not just figures on paper, but does indeed reflect the quality and standard of these services being provided in a sustainable manner as a basic human right, with no interruptions or below standard quality, considering that both our Blue and Green Drop status are way below acceptable standard.

The crisis regarding the state of our roads, especially Nelson Mandela and Walter Sisulu Drive are being attended to. Other streets will also be attended to over the course of the financial year.

These are indeed harsh realities that we cannot shy away from. It is only by being honest and truthful about these challenges that we can begin to address them. This will be the key focus for the 2014/2015 financial year and it is in line with the general trend of both the State of the Nation Address and the State of Province Address as well as key elements in the National Development Plan. Throughout these key documents, we, as the Municipality have a very important role to play.

The Honourable Premier DD Mabuza emphasised the following critical areas that has informed our planning for the coming year which we must focus on:

- Water and electricity provision
- Sanitation
- Job creation and
- Integrated human settlements

All our energies, as local government, being the sphere of government closest to the people, must fulfil its developmental role. The use of the Integrated Development Plan, informed by the issues raised by our communities and looking at our socio-economic situation, remains the strategic tool to address our priorities, from delivery of improved basic services and infrastructure, to spatial planning and boosting our local economy.

### **Improved and broadened public service delivery**

#### **Water and Sanitation**

In order to improve and broaden basic service delivery, especially in respect of water and sanitation, the following are current projects that have been implemented to begin to address our immediate challenges:

- The two turbine raw water pumping units that were procured last year to abstract water from the river to the treatment plant, were installed and commissioned during the month of December 2013
- With assistance from the Department of Water Affairs, an additional four turbine pumping units have been ordered for the refurbishment of the Standerton Water Treatment Works. The pumping units will be installed by the end of July 2014.
- The refurbishment of the Standerton Water Treatment works is at an advanced stage and it is planned to have the project completed by the end of July 2014.
- The replacement of AC pipes with PVC pipes around the industrial area is on-going but planned for completion by the end of June 2014.

- The water rising main project has been completed and should be commissioned by the end of the week.
- The Construction of a 10 Mega litre Reservoir is at an advanced stage and is planned to be completed before the end of July 2014.
- 21 boreholes will be installed in the rural areas by the end of June 2014

At a more operational level, 1165 (One thousand One hundred and Sixty Five) water meters have been removed from inside the yards and the programme to deal with all water meter related problems is on-going. In some rural communities, where water shortages are experienced, we supply water on a daily basis using water tankers.

53 households in Rooikopen were connected to water and sanitation services by the end of November 2013.

In Wards 9, 12 and 13 which are more rural in nature, 210 Sanitation toilets will be installed by the end of July 2014.

The refurbishment of the sewer treatment plant is at an advanced stage and it is planned for completion by the end of July 2014. The upgrade phase of this project is scheduled to have construction start in September 2014.

### **Electricity provision**

Electricity projects undertaken include:

- 10 high mast lights that were erected and commissioned
- 1500 street lights have been repaired
- 24 new service connection were done in Lekwa
- 93 new prepaid electricity meters were installed as per application by our consumers
- The electrification of 150 pre-1994 housing stock units will be completed by 30 July 2014

### **Community Facilities**

- Two Community Halls have been constructed in ward 11 and 15.
- Two netball courts and a basketball court have been refurbished at the Sakhile sports precinct.
- Netball, basketball and a tennis court have been refurbished in Mahala Park.
- A soccer field has been constructed in Mahala Park.
- Two parks have been constructed in Sakhile and Sivukile.
- A further two parks have been beautified in Kosmos Park and Meyerville.

### **To build local economies to create more employment, decent work and sustainable livelihoods:**

In order to build a local economy that can create more employment, decent work and sustainable livelihoods, to this end, the following has been achieved in the current financial year:

## **Job creation**

- Through the Expanded Public Works Programme, 250 Jobs were created
- The Municipality has also made 35 new appointments, of which 7 were females and 28 males;
- We also acknowledge and appreciate the contributions made by key players such as Astral, Noble, Vikinduku on the Standerton Extension 8 project, the R23 construction project, Anglo Coal (New Denmark) on the completion of the Clinic in Rooikoppen, Sakhile Extension 4, the Water Affairs Vlakfontein project, the Morgenzon Chicken broiler and other projects that have created a number of job opportunities.

Honourable Speaker, the processes for the development of the malls in both Sakhile Extension 4 and along Walter Sisulu Drive had commenced, but somehow collapsed. These processes will be fast tracked over the next few months to ensure that my last year's promise in my budget speech, is realised. Remember I mentioned the construction projects of a shopping mall in Rooikoppen, and the development of a shopping mall along Walter Sisulu Drive. These developments were delayed due to some administrative processes, but I am still reaffirming that these projects will take off the ground within this new coming financial year.

## **Skilling our People**

Noting the dire need for skilled professionals, within our own limited resources we have made available an amount of R300 thousand rand towards bursaries for external students.

One of the students is in the third year on the project, while others had to be removed due to them not meeting the conditions set to continue receiving these bursaries. Four additional students have been identified who will also benefit from this programme in the current year.

The Municipality has also undertaken the following programmes towards skilling our people:

- three (3) finance interns are currently in service at the Municipality
- 38 Learnerships for the employed
- 12 Learnerships for the unemployed
- 11 apprenticeships and
- 29 employees attending various skills programmes

It is our collective commitment to create and enhance similar opportunities and programmes for the coming financial year. To this end an internship programme as well as 104 learnerships for the employed and 145 learnerships for the unemployed and a number of apprenticeships, bursary and skills programmes will be undertaken. This also provides for the training of Councillors.

## **Creation of Integrated and Sustainable Human Settlements**

The South African Constitution of 1996 enshrines the right of everyone to have access to adequate housing. The focus of the Department of Human Settlements has shifted to improve the quality of housing and housing environments by integrating communities and settlements which seek to improve sustainability by providing for the development of a range of social and economic facilities with in housing projects.

The following human settlements projects have been successfully implemented for the 2013/2014 financial year in the Municipality:

- Construction of 34 community residential units at Sakhile Hostel. Progress is at an advanced stage, including the connection of Block B to the municipal sewer line. The other major critical path outstanding is the connection of electricity to the municipal substation which will be done by the end of next week.
- Construction of 289 houses under the Informal Settlements Upgrading Programme in Sakhile Extensions 1, 3, 5 and 6 and Standerton Extension 6.

A Greenfield housing development project has also been started on the proclaimed township of Standerton Extension 8. Progress on this project thus far is as follows:

- The installation of bulk sewer and water in progress
- Internal Sewer and water reticulation is nearing completion
- 400 platforms completed
- 160 foundations cast
- 90 houses built and at wall plate level
- 10 houses completed

A project to afford beneficiaries of RDP houses with security of tenure has also started. Ownership of 1800 (One thousand Eight Hundred) RDP houses has been successfully transferred. The Municipality will soon begin the process of handing over of these title deeds to its rightful beneficiaries, proceeding from where the Honnourable MEC Andries Gamede ended.

For the 2014/2015, the Mpumalanga Department of Human Settlements have allocated the following housing projects to the Municipality:

- Installation of services at Standerton Extension 8 for the construction of 500 government subsidised low cost houses at a cost of R58 million rand to provide for:
  - 150 houses built as free standing units
  - 350 units in the form of high density double storey buildings
- Construction of 230 government subsidised low cost houses in various wards: R14 million rand
- Servicing of 100 sites: R21 million rand
- Implementation of the National Upgrade Support Programme on all Informal Settlements within the jurisdiction of Lekwa: R87million rand to be shared among 45 municipalities. We thank and appreciate that the Department of Human Settlement considered Lekwa to be part of the pilot sites for this project.

### **Promote more active community participation in local government**

Honourable Speaker, during November 2013 for the IDP consultation process and again in April this year, there has been extensive engagements and public participation processes to bring us to the point we are at today to approved the 2014/2015 IDP and Budget. This requires hard work, commitment and support from various key role-players to make it a success.

Gathered here today, we can reflect on this and be grateful to especially Councillors and administration and most importantly the communities who took their time to participate in these consultations. It is only through such continuous engagements with our people that we can move forward together.

- The Municipality currently has 15 functional ward committees
- We have an approved ward committee system as required by the Municipal Structures Act.
- Ward operational plans are in place and are being implemented.
- Ward committee members continue to receive support in order for them to effectively perform their duties
- All ward committee members are compensated with, their out of pocket allowance which Council have budgeted for as part of administration for ward committees.



- The public has constantly engaged with the Municipality through Mayoral Izimbizo, IDP consultations, ward meetings, through the municipal web site, print media, as well as through the our local newspapers.
- The public participation process is supported through the Office of the Speaker
- Public participation is linked with the program of the Community Development Workers.

Let us also revive the facebook page “Budget Tips for Matshidiso” as another way of constantly interacting with our communities.

### **Ensure more effective accountable and clean local government working with other spheres of government**

Honourable Speaker, the following established structures are key to ensuring accountable and transparent government.

- An established and functional Municipal Public Accounts Committee, whose key role is to provide an oversight role for dealing with and making recommendations for Council to adopt its oversight report on the annual report.
- An established and functional Audit and Performance Audit Committee, supported by a staffed and functional Internal Audit unit
- A risk-based internal audit plan to ensure that internal controls are strengthened and improved
- The Fraud and Anti-corruption strategy is being rolled out across all departments to highlight the dangers of engaging in activities of fraud and corruption

The appointment of section 57 managers for the Departments of Technical Services, Development and Planning, Corporate Services and Budget and Treasury must create the expected support to be given to the Municipal Manager in order for the administration to effectively implement and perform its duties.

Critical to the appointment of the section 57 managers is also the quarterly reporting on performance, informed by an effective performance management system. Through the strategic review session held on the 20<sup>th</sup> and 21<sup>st</sup> May, the engagements were critical towards the development of the 2014/2015 institutional SDBIP (Service Delivery and Budget Implementation Plan).

It is only through regular reporting on progress on the implementation of the SDBIP that we can begin to hold each other accountable, build on what we have achieved, identify our successes and failures and move forward.

Honourable Speaker, let us see this as the beginning of a new journey. We have seen our shortcomings and our challenges still remain, but we have also had our successes, so let us set a clear path that we can travel together towards making Lekwa a better place, because indeed we do have a good story to tell.

### **Ensure more effective accountable and clean local government working with other spheres of government:**

Honourable Speaker it remains my sad admission that we continue to see a decline in our revenue base. To this end a revenue enhancement strategy has been developed which should result in the gradual turnaround of this situation. We have put our shoulder to the wheel and I have taken it upon myself to have regular interactions with the administration for regular updates on this programme.

It is pleasing that our Municipality obtained a qualified audit outcome in the 2012-13 financial year. This is a significant improvement from the disclaimer for the 2011-12 financial year. We must redouble our efforts to make sure we obtain a clean audit for 2013-14. A disclaimer must be avoided at all cost as it also reflects on the oversight role that Council plays to ensure accountability and transparency.

To this end, an audit action-plan with clear targets has been developed and is being implemented and monitored on a regular basis to address and reverse all the adverse audit findings.

Honourable Speaker, it should be indicated that the Municipality's income has grown to R141million from the 2010-11 to the 2013-14 financial year. The revenue is projected to increase with an additional R51million in the 2014-15 financial year and then with R138million in the 2016-17 financial year to reach R279million. While revenue has increased, expenditure has also increased with R315million from the 2010-11 till the 2013-14 financial year. The expenditure is projected to increase with R49million in the 2014-15 financial year and subsequently with R41million in the 2016-17 financial year.

In the past financial year, we averaged around a 63% (Sixty Three Percent) revenue collection rate. This indicates a decline compared to last year for the same period where revenue collection stood at 70% (Seventy Percent).

We know that this can be improved and the additional revenue can be reinvested to be used for repairs and maintenance of aging infrastructure and for the adequate provision of funds for services such as electricity, water, refuse removal and roads.

Honourable Speaker as mandated by chapter 7, section 52 of the Municipal Finance Management Act (MFMA), Act 56 of 2003, let me first start by confirming that the 2014/2015 budget has been prepared in line with section 16 of the MFMA to be as credible and realistic as possible.

Honourable Speaker it is critical for me to explain that a budget is actually a theoretical plan, not physical cash, but a plan for money we anticipate to collect from consumers in order to fund all our projects and keep the Municipality in operation. I am highlighting this matter so that we have a common understanding of the subject. For the next year, we have to take a sharp turn, in order for our budget to be closer to being cash backed, with a reduced and acceptable deficit, enough provision for bad debt and also acceptable provision for depreciation. We will not see the results immediately, but in the 2016/17 annual budgets, we hope to show and see these results. We will have a budget aligned to the principles of economy, efficiency and effectiveness.

Honourable Speaker, there are three principles which the municipality will be focusing on in order to reduce the deficit, which are to:

- Reduce expenditure to an absolute minimum without compromising service delivery;
- moderately increase tariffs so that they can cover operational cost, having also adjusted the gross monthly income threshold to R3, 600 (Three Thousand Six Hundred) Rand per month to apply and qualify for an indigent subsidy grant and
- lastly to improve the revenue collection rate from an average of sixty three percent to at least ninety five percent.

Honourable Speaker I am pleased to announce the 2014/2015 budget as follows and we anticipate collecting revenue in the following areas:

- Sale of Electricity R 227 million
- Assessment Rates R 52 million
- Sale of Water R 40 million
- Sewerage R 24 million
- Refuse Removal R 13 million

The South African economy is under tremendous pressure and this is evident from the rising cost of basic food as well as fuel amongst others. The cost of rendering basic services has also increased, thus requiring the Municipality to also adjust its tariffs slightly in order for the Municipality to fulfil its developmental mandate.

Our proposed tariff increase for the 2014/2015 financial year is as follows:

Electricity ..... 7.39%

Water .....7.5%

Refuse .....7.5%

Sewerage..... 7.5%

Cemeteries..... 7.5%

Rental of Facilities .....7.5%

Property rates 7.5%

The anticipated revenue is R490, million (four hundred and ninety million two hundred and fifteen thousand rand) excluding capital transfers and contributions

Honourable Speaker it is a known fact that the money we anticipate to collect will be spent on the key areas of operations and capital. Our anticipated expenditure for the coming budget year will be a total of R 683, million (Six hundred and eighty three million and forty nine rand)

**On Transversal issues we will spend as follows:**

HIV/Aids 206 thousand rand (R206, 000)

Mayoral Cup 103 thousand rand (R103, 000)

Youth Development 206 thousand rand (R206, 000)

Bursaries 309 thousand rand (R309, 000)

Indigent Grant Subsidy: Six million six hundred and eighty eight thousand rand) (R6, 688, 000)

The following capital project will be implemented in 2014/2015 financial year

- Upgrade of Standerton Water Treatment Works: 10 million rand (R10, 000, 000)
- Upgrade of Standerton Waste Water Treatment Works: 15 million seven hundred and ninety four thousand rand (R15, 794, 000)
- Replacement of AC pipes with PVC Pipes: 5 million rand (R5, 000, 000)
- Installation of Boreholes in Rural Areas: 1 million five hundred thousand rand (R1, 500, 000)
- Installation of Sanitation services in Rural areas of Lekwa LM: 1 million 1 hundred and ninety thousand rand (R1, 190, 000)

These Capital projects amount to Thirty Three million Four Hundred and Eighty Four Thousand rand (R33, 484, 000)

Let me take this opportunity to extend a very special word of thanks to the political office bearers, Members of the Mayoral Committee, Councillors, the Municipal Management, under the leadership of Mr L B Tshabalala for their continued support.

The support and assistance received from the Office of the Premier, CoGTA, the Department of Economic Development, Human Settlements, Water Affairs and the Gert Sibande District Municipality cannot go unmentioned, especially with the serious water and electricity crisis that we faced and still continue to deal with.

To our investors, thank you for deciding to invest in Lekwa, together we can boost our local economy and create many more employment opportunities.

I want to also thank my family for their constant love, support and understanding. My family in the office, with whom I spend so much time, it will be inappropriate for me not to thank all the men and women of God for their continuous prayers for the institution.

Once again, thanks to all of you ladies and gentlemen for attending this event and participating in our concluded IDP and budget process.

Honourable Speaker, as per the provisions of section 16 of the MFMA, I have submitted to Council for approval the 2014/2015 Integrated Development Plan, the 2014/2015 organogram and the budget and all budget related policies namely:

- a) Credit Control & Debt Collection Policy
- b) Supply Chain Management Policy.
- c) Property Rates Policy
- d) Tariff Policy
- e) Bad Debt Provision & Write-off Policy
- f) Budget Policy (& Virement Policy )
- g) Asset Management Policy
- h) Petty Cash Policy
- i) Indigent Policy
- j) S & T Policy
- k) Banking & Cash Policy

**I thank you**

**Kea lebokga**

## **2.COUNCIL(S): 2014-05-28 RESOLUTIONS**

A77 **APPROVAL OF BUDGET FOR 2014/2015 FINANCIAL YEAR (5/1/2/1/1; 5/1/2/1/2)**

### **RESOLVED**

1. That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the annual budget of the municipality for the financial year 2014/15; and indicative allocations for the two projected outer years 2015/16 and 2016/17; and the multi-year capital appropriations BE APPROVED;
2. That the principles and budget assumptions upon which both the Operating Budget and Capital Budget have been based BE NOTED;
3. That it BE NOTED that the new general valuation roll will be implemented with effect from 1 July 2014;
4. That in terms of section 24(2)(c)(i) of the Municipal Finance Management Act, 56 of 2003, and sections 74 and 75A of the Local Government Municipal Systems Act, 32 of 2000 as amended, the tariffs for the supply of water, cleansing services, sanitation services property rates and sundry tariffs as set out “Annexure C” BE APPROVED for accounts rendered with effect from 1 July 2014;
5. That, pending approval by NERSA, the 7.39% the proposed increase on electricity tariffs, for the supply of electricity accounts rendered with effect from 1 July 2014, BE APPROVED;
6. That the annual salary increase of 6.8% BE NOTED, as per the multi years collective salary agreement between SALGA and labour unions;
7. That the tariffs increase as indicated in “Annexure C” BE MADE PUBLIC;
8. That provision BE MADE for a 8.0% estimate increase in the salaries of councillors, of which final approval is still to be announced in terms of Public Office Bearers Act;
9. That Heads of Department Ensure that the revenue and expenditure of their relevant department/section is monitored regularly, and, should it be found that the estimate revenue would not be realised, the Budget and Treasury Office BE ADVISED accordingly in order for the revenue budget to be adjusted during the budget adjustment process;
10. That Capital expenditure to be financed from grants and other external mechanisms BE IMPLEMENTED after the funds secured have been confirmed in writing and/ or received;

11. That the proposed capital budget BE ENTIRELY BASED on the IDP priorities in order to achieve National targets on service provision;
12. That in terms of the Indigent Policy, the monthly gross household earnings for the approval as an indigent household application BE CAPPED at R3 600;
13. That it BE APPROVED that only indigent customers will be provided with the free basic services;
14. That the level of subsidisation of indigent customers in terms of the Indigent Policy BE DETERMINED as follows:
  - a) Water - 6 kl per month
  - b) Electricity - 50 kwh per month
  - c) Basic Electricity
  - d) Basic Water
  - e) Basic Sewerage
  - f) Refuse Removal
15. That the security deposits payable by customers BE INCREASED as follows:
  - a) Water – R300
  - b) Electricity (Conventional Meter Residential) – R700
  - c) Business – Minimum R3500
  - d) Administration Fee (First Time Connection Fee – Excl Indigent Households) – R100
16. That the following Budget related Policies BE APPROVED AND IMPLEMENTED with effect from 01 July 2014:
  - l) Credit Control & Debt Collection Policy
  - m) Supply Chain Management Policy.
  - n) Property Rates Policy
  - o) Tariff Policy
  - p) Bad Debt Provision & Write-off Policy
  - q) Budget Policy (& Virement Policy )
  - r) Asset Management Policy
  - s) Petty Cash Policy
  - t) Indigent Policy
  - u) S & T Policy
  - v) Banking & Cash Policy
17. That the following Budget related Policies BE REFERRED to the Rules, Ethics, By-Laws and Policies Committee for scrutiny and the report BE SUBMITTED at the next Council meeting before the end of the financial year to BE IMPLEMENTED with effect from 01 July 2014:
  - a. Credit Control & Debt Collection Policy
  - b. Bad Debt Provision & Write-off Policy

c. Indigent Policy

18. That the report on Cellphone Policy BE SUBMITTED at the next Council meeting to BE IMPLEMENTED with effect from 01 July 2014.

## **EXECUTIVE SUMMARY – SALIENT FEATURES**

The operating income and expenditure is indicated in the budget tables A1 to A4 in section 4 of this report. Total expenditure budgeted for the 2014/15 financial year increased by R68.610 million (10.82%) to R683.050 million compared to the 2013/14 budget in the amount of R 614.440 million.

One of the main contributing factors to this increase is the increase in staff expenditure and councillor remuneration that increased by R23.584 million from 113.987million to R137.571 million. This represents an increase of 20.69%.

Other increases in the main cost drivers included the following:

- ✓ Bulk purchases of electricity increased by R 15.06 million due to the recommended 8.06% increase and an allowance of R9.67 million for growth as it was indicated that two major consumers would increase their operations to  $\pm$  60%-75% of full capacity during the 2014/15 financial year.
- ✓ Debt impairment was budgeted to be at  $\pm$  74% which is 8% less than the budget assumption for 2013/14. Accordingly the provision for non-payment increased by R33.685 million to R94.708 million.

Revenue increased from R457.091 million to R490.216 million. This is an increase of R33.125million or 7.60%. The main sources of revenue that increased were as follows:

- ✓ Assessment Rates – R5.279 million. Due to the implementation of the new general valuation roll the tariff is a new tariff and it cannot be compared to the 2013/14 tariff.
- ✓ Electricity – R18.782 million due to the recommended 7.39% tariff increase and allowance for growth as it was indicated that two major consumers would increase their operations to  $\pm$  60%-75% of full capacity during the 2014/15 financial year.
- ✓ Water – R3.858 million which is due to the understatement of the 2013/14 budget that was adjusted upwards during the 2013/14 adjustment budget.

The budget is structured into different cost centres with the costs and revenue streams associated with each service indicated separately. The cost recovery for the trading and economic services is indicated in the table “2014/15 – LLM Cost Recovery of Trading & Economic Services” below.

<b>2014/15 – LLM COST RECOVERY OF TRADING &amp; ECONOMIC SERVICES</b>			
<b>SERVICE</b>	<b>REVENUE</b>	<b>EXPENDITURE</b>	<b>(SURPLUS)/DEFICIT</b>
<b>ELECTRICITY</b>	<b>(228,293,820)</b>	<b>244,096,260</b>	<b>15,802,440</b>
<b>WATER</b>	<b>(41,115,140)</b>	<b>46,683,720</b>	<b>5,568,580</b>
<b>REFUSE REMOVAL</b>	<b>(13,869,280)</b>	<b>21,215,240</b>	<b>7,345,960</b>
<b>SEWERAGE</b>	<b>(24,730,680)</b>	<b>21,045,610</b>	<b>(3,685,070)</b>

It should be noted that both trading services, Water and Electricity, are operated at a deficit of  $\pm$  R5.568 million and R15.802 million respectively. The is not sustainable and the Municipality needs to introduce measures to properly fund the Water and Electricity Services as the operating deficits are indicative that full cost recovery are not taking place and it is contributing to the financial predicament that Council finds itself in.



The Cleansing Service is also operated at a deficit of R7.345 million. This is also not sustainable as the Refuse Removal Service is an economic service that needs to be operated at breakeven or a small surplus. Sewerage is operated at a R3.685 million surplus that is at an acceptable level given the fact that this is an economic service that needs to be operated at break even or a small surplus.

It will be note from Schedule A1 & A4 in section 4 of this report that the MTREF has been prepared to phase out operating deficits (excluding depreciation) by 2016/17.

**2014/15 – 2016/17 Proposed tariff increases are as follows:**

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
Rates	New Tariff	9.50%	8.75%
Cleansing	7.5%	9.50%	8.75%
Sewer	7.5%	9.50%	8.75%
Water Consumption	7.5%	9.50%	8.75%
Water Basic	7.5%	9.50%	8.75%
Electricity	7.39%	9.50%	8.75%

Below is a table indicating the tariff increase in rand value as well as the comparison from the 2013-14

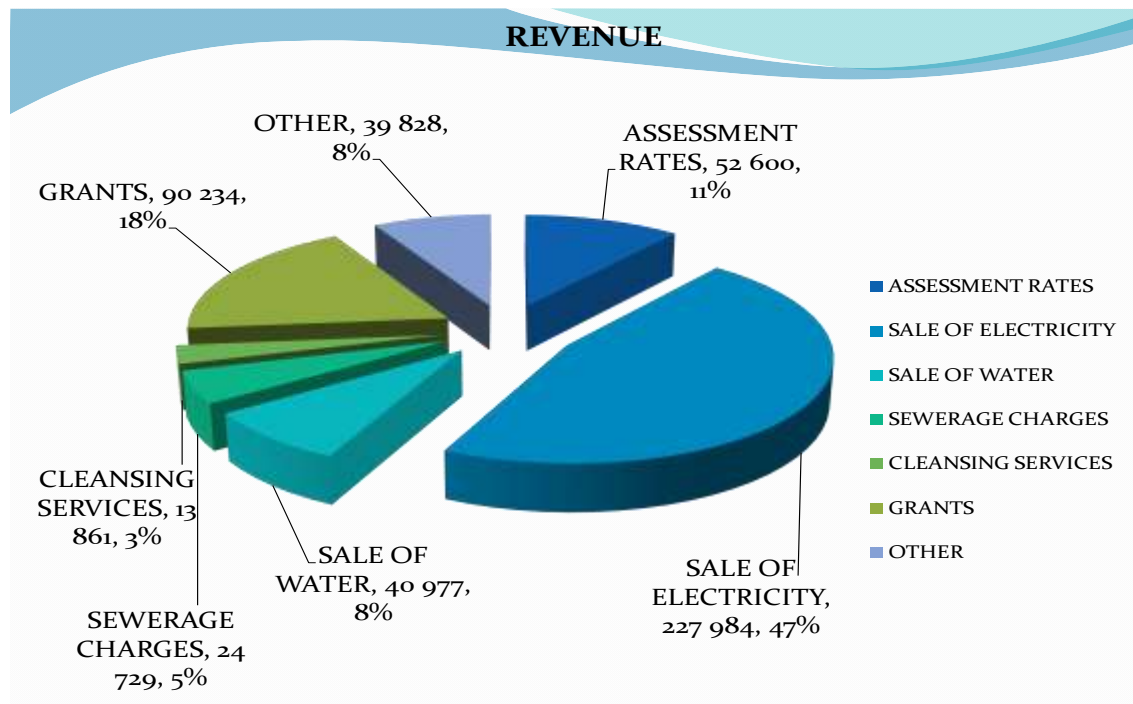
		2013/2014	2014/2015	
<b>WATER</b>			7.5%	
BASIC WATER		<b>25.99</b>	1.95	<b>27.94</b>
DOMESTIC	1-10 KL	<b>4.47</b>	0.34	<b>4.80</b>
DOMESTIC	11-25KL	<b>5.54</b>	0.42	<b>5.95</b>
DOMESTIC	26-50 KL	<b>8.03</b>	0.60	<b>8.63</b>
DOMESTIC	51-9999KL	<b>11.32</b>	0.85	<b>12.16</b>
<b>FREE WATER</b>	<b>6KL</b>	<b>26.82</b>	4.80	<b>26.82</b>
<b>REFUSE</b>			7.50%	
DOMESTIC - STANDERTON		<b>79.16</b>	5.94	<b>85.09</b>
DOMESTIC - SAKHILE		<b>56.56</b>	4.24	<b>60.80</b>
DOMESTIC - MORGENZON		<b>55.51</b>	4.16	<b>59.67</b>
<b>SEWERAGE</b>			7.50%	
DOMESTIC, BUSINESS		<b>124.30</b>	9.32	<b>133.62</b>
SAKHILE		<b>70.09</b>	5.26	<b>75.34</b>
MORGENZON		<b>45.49</b>	3.41	<b>48.90</b>
INDUSTRIAL - ADDITIONAL SEWERAGE PER K		<b>5.04</b>	0.38	<b>5.42</b>
<b>ASSESSMENT RATES</b>			<b>NEW GENERAL VALUATION</b>	
RESIDENTIAL 1 (HOUSES)		<b>0.007689</b>	0.0013	<b>0.008957</b>
<b>ELECTRICITY</b>			7.39%	
RESIDENTIAL CONVENTIONAL BASIC CHARGE		<b>79.61</b>	5.88	<b>85.50</b>
RESIDENTIAL CONVENTIONAL UNIT COST				
BLOCK TARIFF	(0-50 kWh)	<b>0.68</b>	0.05	<b>0.74</b>
BLOCK TARIFF	(51 – 350 kWh)	<b>0.86</b>	0.06	<b>0.92</b>
BLOCK TARIFF	(351 – 600 kWh)	<b>1.15</b>	0.08	<b>1.23</b>
BLOCK TARIFF	(>600)	<b>1.34</b>	0.10	<b>1.44</b>
RESIDENTIAL PRE PAID BASIC CHARGE		<b>29.71</b>	2.20	<b>31.90</b>
RESIDENTIAL PRE PAID UNIT COST				
BLOCK TARIFF	(0-50 kWh)	<b>0.68</b>	0.05	<b>0.74</b>
BLOCK TARIFF	(51 – 350 kWh)	<b>0.86</b>	0.06	<b>0.92</b>
BLOCK TARIFF	(351 – 600 kWh)	<b>1.15</b>	0.08	<b>1.23</b>
BLOCK TARIFF	(>600)	<b>1.34</b>	0.10	<b>1.44</b>
<b>FREE ELECTRICITY</b>	<b>50 KWH</b>	<b>34.25</b>	2.53	<b>36.78</b>

## Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Description	2010/11	2011/12	2012/13	Current Year 2013/14			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Rand/cent</b>							
<b>Monthly Account for Household - 'Middle Income Range'</b>							
<b>Rates and services charges:</b>							
Property rates	374.50	404.48	106.18	111.55	119.92	131.31	142.80
Electricity: Basic levy	53.37	64.25	71.34	76.55	82.20	90.01	97.89
Electricity: Consumption	788.50	940.50	1 045.00	1 121.29	1 204.15	1 318.54	1 433.91
Water: Basic levy	21.60	23.54	24.61	25.86	27.79	30.43	33.10
Water: Consumption	146.40	157.68	166.80	175.24	188.38	206.28	224.33
Sanitation	103.66	111.96	117.71	123.67	132.94	145.57	158.31
Refuse removal	45.58	49.23	57.48	60.39	64.92	71.08	77.30
<b>sub-total</b>	<b>1 533.61</b>	<b>1 751.64</b>	<b>1 589.12</b>	<b>1 694.54</b>	<b>1 820.31</b>	<b>1 993.24</b>	<b>2 167.65</b>
<b>Total large household bill:</b>	<b>1 533.61</b>	<b>1 751.64</b>	<b>1 589.12</b>	<b>1 694.54</b>	<b>1 820.31</b>	<b>1 993.24</b>	<b>2 167.65</b>
<b>% increase/-decrease</b>		<b>14.2%</b>	<b>(9.3%)</b>	<b>6.6%</b>	<b>-</b>	<b>9.5%</b>	<b>8.7%</b>
<b>Monthly Account for Household - 'Affordable Range'</b>							
<b>Rates and services charges:</b>							
Property rates	267.50	288.92	75.84	79.64	85.61	93.74	101.94
Electricity: Basic levy	53.37	64.25	71.34	76.55	82.20	90.01	97.89
Electricity: Consumption	373.50	445.50	495.00	531.14	570.39	624.57	679.22
Water: Basic levy	21.60	23.54	24.61	25.86	27.79	30.43	33.10
Water: Consumption	115.90	124.83	132.05	138.73	149.14	163.30	177.59
Sanitation	103.66	111.96	117.71	123.67	132.94	145.57	158.31
Refuse removal	45.58	49.23	57.48	60.39	64.92	71.08	77.30
<b>sub-total</b>	<b>981.11</b>	<b>1 108.23</b>	<b>974.03</b>	<b>1 035.96</b>	<b>1 112.99</b>	<b>1 218.72</b>	<b>1 325.36</b>
<b>Total small household bill:</b>	<b>981.11</b>	<b>1 108.23</b>	<b>974.03</b>	<b>1 035.96</b>	<b>1 112.99</b>	<b>1 218.72</b>	<b>1 325.36</b>
<b>% increase/-decrease</b>		<b>13.0%</b>	<b>(12.1%)</b>	<b>6.4%</b>	<b>-</b>	<b>9.5%</b>	<b>8.8%</b>
<b>'Indigent' Household receiving free basic services</b>							
<b>Rates and services charges:</b>							
Property rates	160.50	173.35	182.03	192.22	206.63	226.27	246.06
Electricity: Basic levy	53.37	64.25	74.39	79.62	85.50	93.63	101.82
Electricity: Consumption	-						
Water: Basic levy	21.60	23.54	24.61	25.86			
Water: Consumption	-	56.42	59.22	62.54	67.16	73.54	79.97
Sanitation	103.66	111.96	117.71	124.30	133.49	146.17	158.96
Refuse removal	45.58	45.58	57.48	60.39			
<b>sub-total</b>	<b>384.71</b>	<b>475.10</b>	<b>515.44</b>	<b>544.92</b>	<b>492.78</b>	<b>539.60</b>	<b>586.81</b>
<b>Total small household bill:</b>	<b>384.71</b>	<b>475.10</b>	<b>515.44</b>	<b>544.92</b>	<b>492.78</b>	<b>539.60</b>	<b>586.81</b>
<b>% increase/-decrease</b>		<b>23.5%</b>	<b>8.5%</b>	<b>5.7%</b>	<b>-</b>	<b>9.5%</b>	<b>8.7%</b>

## **REVENUE OVERVIEW**



### **Property Rates Revenue**

The rates revenue is based on the new general valuation roll to be implemented with effect from 1 July 2014. The valuation of the Tutuka Power Station is in dispute and the 2009 objection is currently in the process to be addressed. Pending the finalisation of this objection the revenue based on the new valuation has not been included in the 2014/15 budget. Should this matter be resolved in Councils favour it would add substantial additional revenue.

The 2014/15 budgeted revenue in the amount of R 52.6 million represents an increase of R5.279 million from the 2013/14 base. Rebates as the result of phasing in of rates to farming properties will be reduced from 50% to 25% during 2014/15. Income forgone as a result of this rebate amounts to R2.428 million.

### **Electricity Revenue**

Based on year to date sales at 28 February 2014 anticipated revenues were increased by the NERSA recommended increase of 7.39%. In addition an amount of 18.56 million as an allowance for growth has been included as it was indicated by two major consumers that they would increase their operations to  $\pm$  60%-75% of full capacity during the 2014/15 financial year. The basic charge to farming customers is recommended to increase by R87.52 from R197.48 per month to R285.00 per month. The additional annual revenue in the amount of R280 800 has been ring fenced for increased maintenance on the rural electricity network that is in desperate need of increased maintenance. Total revenue is estimated at R227.984 million in the 2014/15 financial year.

Past budgets did not provide sufficient revenue to cover the bulk purchases of electricity. As a result of this and no provision for operational expenditure and repairs and maintenance the Electricity Service operated at substantial deficits. The 2014/15 to 2016/17 MTREF has been prepared to phase out the operating deficit during the next two financial years and the provision of a small operating surplus of R4.3 million in 2016/17

### **Water Revenue**

Based on year to date sales at 28 February 2014 anticipated revenues were increased during the 2013/14 adjustments budget as it appears that the 2013/14 budget for water sales were under stated. Tariffs are to be increased by 7.5% that results in an increase of R3.858 million (10.12%) from the understated base in 2013/14. The water service is budget to operate at a loss of R5.568 million. This deficit is phased out during the next two financial years with an operating surplus of R4.267 million budgeted for 2016/17. In terms of National Treasury Budget Circular 70 cost reflective tariffs for Water & Sewerage are to be implemented in 2014/15.

### **Cleansing Services**

Expenditure from this service amounted to R21.215 million with revenue amounting to R13 869 million for the 2014/15 financial year. This represents an operating deficit in the amount of R7 345 million that is estimated to be reduced to R4.435 million over the next three financial years. The service is under severe pressure and in need of new refuse compactors. Substantial tariff increases well above inflation will be required to operate this service at break even as required of an economic service. In terms of National Treasury Budget Circular 70 cost reflective tariffs for Solid Waste are to be implemented in 2015/16.

### **Sewerage Services**

Revenue from this service amounted to R24.730 million with a budgeted surplus of R3.685 million for the 2014/15 financial year. This surplus should be utilised towards increased maintenance and renewal of infrastructure and vehicles once the cash flow problems have been addressed.

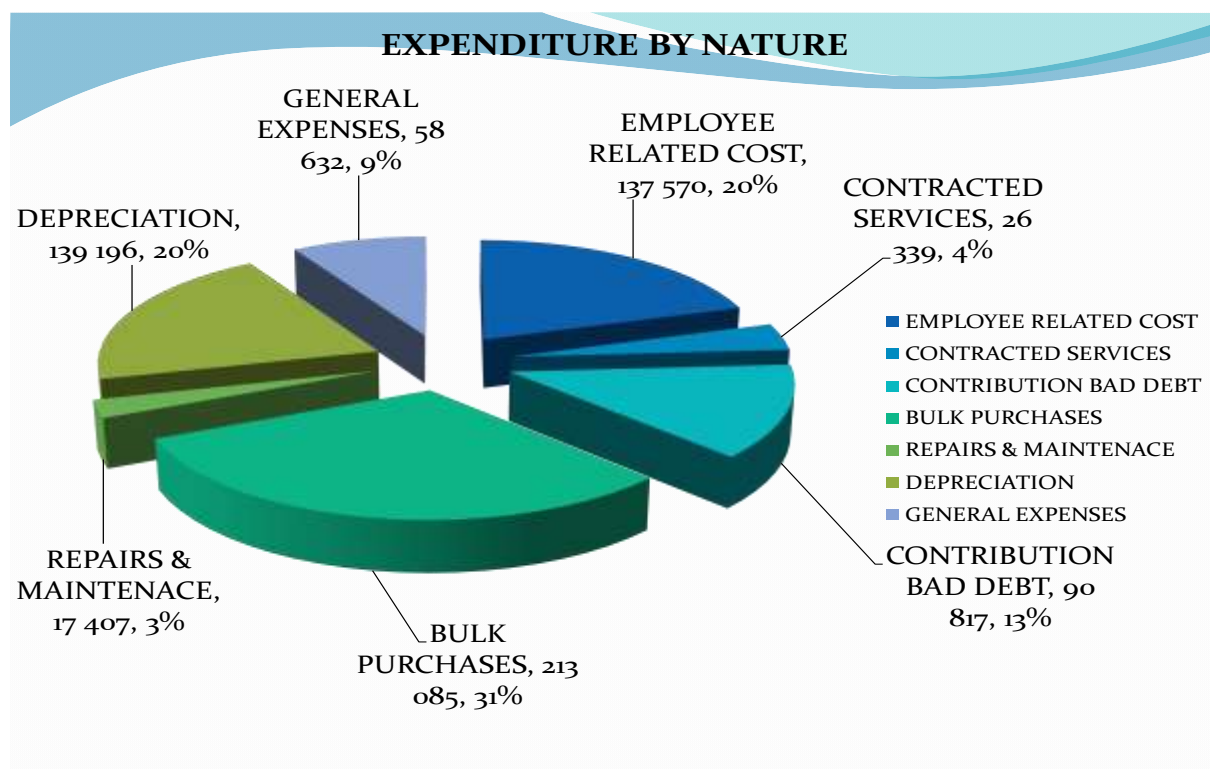
## Government & Other Grants Allocated to the Municipality

Total operating grants for the 2014/15 financial year are summarised in the table below

**MP305 Lekwa - Supporting Table SA18 Transfers and grant receipts**

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
<b>RECEIPTS:</b>	1, 2									
<b><u>Operating Transfers and Grants</u></b>										
<b>National Government:</b>		64 309	73 178	84 124	83 868	83 760	83 760	87 568	90 852	92 617
Local Government Equitable Share		62 872	69 959	79 068	81 428	81 320	81 320	85 034	88 235	89 898
Finance Management		150	1 713	1 250	1 550	1 550	1 550	1 600	1 650	1 700
Municipal Systems Improvement		1 238	1 506	800	890	890	890	934	967	1 019
Other transfers/grants [insert description]		48	–	3 006						
<b>Total Operating Transfers and Grants</b>	5	64 309	73 178	84 124	83 868	83 760	83 760	87 568	90 852	92 617
<b><u>Capital Transfers and Grants</u></b>										
<b>National Government:</b>		25 830	56 621	43 525	44 575	67 581	67 581	36 684	31 217	34 337
Municipal Infrastructure Grant (MIG)		19 830	53 783	41 780	41 318	63 916	63 916	33 994	28 217	29 337
Neighbourhood Development Partnership		6 000		1 745						
Intergrated Electrification Programme			1 389		2 201	2 201	2 201	1 500	3 000	5 000
Expanded Public Works Programme			1 449		1 056	1 464	1 464	1 190		
[insert description]										
<b>Total Capital Transfers and Grants</b>	5	25 830	56 621	43 525	44 575	67 581	67 581	36 684	31 217	34 337
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		90 139	129 799	127 649	128 443	151 341	151 341	124 252	122 069	126 954

## **EXPENDITURE OVERVIEW**



### **Employee Related Cost**

Staff expenditure and councillor remuneration increased by R23.584 million from 113.987million to R137.571 million. This represents an increase of 20.69%. This increase in remuneration can be attributed to:

Annual increase of 6.8% and establishment of section 79 committees (Staff & Councillors R9.699 million)

Inclusion of an amount of R2.0 million for the filling of critical vacant positions (R2.0 million)

Appoint of Sec 57 Managers above the 2013/14 budget provision (R1.317 million)

Overtime (R6.575 million)

New appointments during 2013/14 not budgeted and Risk Officer (3.991 million).

Below is a table indicating an overview of the employee related cost for the 2014/15 financial year

Summary of Employee and Councillor remuneration  R thousand	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Councillors (Political Office Bearers plus Other)</b>									
Basic Salaries and Wages	3 127	4 714	4 375	4 812	5 497	5 497	6 308	6 813	7 358
Pension and UIF Contributions	544	824	1 055	967	824	824	946	1 022	1 104
Medical Aid Contributions	106	127	191						
Motor Vehicle Allowance	1 236	1 830	1 975	2 280	2 107	2 107	2 407	2 599	2 807
Cellphone Allowance	180	387	803	447	626	626	669	722	780
Other benefits and allowances		6	19	48	114	114	173	187	202
<b>Sub Total - Councillors</b>	<b>5 192</b>	<b>7 889</b>	<b>8 417</b>	<b>8 554</b>	<b>9 168</b>	<b>9 168</b>	<b>10 503</b>	<b>11 343</b>	<b>12 251</b>
<b>% increase</b>		<b>51.9%</b>	<b>6.7%</b>	<b>1.6%</b>	<b>7.2%</b>	<b>–</b>	<b>14.6%</b>	<b>8.0%</b>	<b>8.0%</b>
<b>Senior Managers of the Municipality</b>									
Basic Salaries and Wages	2 977	1 917	5 339	4 792	5 860	5 860	4 829	5 138	5 467
Pension and UIF Contributions							922	981	1 044
Medical Aid Contributions							326	346	369
Motor Vehicle Allowance							228	243	258
<b>Sub Total - Senior Managers of Mu</b>	<b>2 977</b>	<b>1 917</b>	<b>5 339</b>	<b>4 792</b>	<b>5 860</b>	<b>5 860</b>	<b>6 304</b>	<b>6 708</b>	<b>7 137</b>
<b>% increase</b>		<b>(35.6%)</b>	<b>178.5%</b>	<b>(10.2%)</b>	<b>22.3%</b>	<b>–</b>	<b>7.6%</b>	<b>6.4%</b>	<b>6.4%</b>
<b>Other Municipal Staff</b>									
Basic Salaries and Wages	62 182	48 730	68 156	69 524	60 470	60 470	74 962	79 760	84 865
Pension and UIF Contributions	11 441	12 348	16 835	14 138	14 749	14 749	16 651	17 717	18 851
Medical Aid Contributions	5 316	5 866	4 747	6 551	6 559	6 559	6 997	7 444	7 921
Overtime	10 830	13 704	5 127	4 136	9 976	9 976	10 712	11 397	12 127
Motor Vehicle Allowance	4 417	4 894	3 347	3 060	5 357	5 357	5 730	6 097	6 487
Cellphone Allowance	1 085	1 580	155	7	626	626	669	711	757
Housing Allowances	720	381	436	349	353	353	328	349	371
Other benefits and allowances	1 727	2 464	1 964	2 619	3 025	3 025	3 496	3 719	3 957
Payments in lieu of leave	186	623	221	417	1 344	1 344	–	–	–
Long service awards	837	1 192	245	362	489	489	1 447	1 540	1 639
Post-retirement benefit obligations									
<b>Sub Total - Other Municipal Staff</b>	<b>98 741</b>	<b>91 781</b>	<b>101 234</b>	<b>101 165</b>	<b>102 948</b>	<b>102 948</b>	<b>120 991</b>	<b>128 735</b>	<b>136 974</b>
<b>% increase</b>		<b>(7.0%)</b>	<b>10.3%</b>	<b>(0.1%)</b>	<b>1.8%</b>	<b>–</b>	<b>17.5%</b>	<b>6.4%</b>	<b>6.4%</b>
<b>Total Parent Municipality</b>	<b>106 910</b>	<b>101 586</b>	<b>114 990</b>	<b>114 511</b>	<b>117 976</b>	<b>117 976</b>	<b>137 799</b>	<b>146 786</b>	<b>156 362</b>



### **Electricity Bulk Purchases**

Bulk purchases of electricity increased by R 15.06 million due to the recommended 8.06% increase and an allowance of R9.67 million for growth as it was indicated that two major consumers would increase their operations to  $\pm 60\%$ -75% of full capacity during the 2014/15 financial year. No provision was made for the interest on arrear Eskom accounts as the provision for fruitless and wasteful expenditure in the budget cannot be motivated.

### **Water Bulk Purchases**

Provision for the bulk purchases of water is problematic due to the following:

- No metering at the extraction point from the Vaal river
- Uncertainty regarding the tariff applied by DWA.

Accordingly the budget was retained at the 2013/14 budget plus an inflation related increase. The accuracy of the account needs to be finalised with DWA as soon as possible.

### **Debt Impairment**

This item was budget for as indicated under the budget assumptions in paragraph 9 below.

### **Contracted Services**

The budget increase from R20.322 million in 2013/14 to R26.340 million in 2014/15. This represents an increase of 19.45% and is indicative of the reliance on consultants. Contracts need to be reviewed for value for money and where found lacking contracts need to be terminated or advertised to appoint new service providers. In general Municipalities are required to phase out consultants as far as possible.

### **Other Expenditure**

Other expenditure amounts to R58.793 million out of a total of 543.854 million for the 2014/15 financial year. This amounts to 10.81% of total budgeted operational expenditure that is slightly above the norm of 10% as prescribed by National Treasury.

### **Overtime**

Overtime as a percentage of total staff expenditure amounts to 7.79% that is well above the norm of 4.5% as prescribed in NT circular 70. Overtime is often required due to the unavailability of equipment and vehicles being in poor repair requiring the staff to work beyond the normal working hours to complete their work. It is also affected due to insufficient staff especially where shifts are worked at extended hours due to unavailability of staff to form the required number of shifts.

## **Repairs and Maintenance**

In terms of NT circular 66 and 70 repairs and maintenance as a percentage of PPE (carrying value) should be at 8%. Though the repairs & maintenance should contribute 8% the Though the repairs & maintenance is steadily growing R 13 million in the 2012-13 to R 21 million in the 2016-17. Municipal PPE is estimated to be R 1.8 Billion which would have implied that a provision should have been made for R 144 million for repairs & maintenance.

The percentage for the 2014/15 budget is 0.62% that is well below the prescribed norm. The main reason for this non-compliance is the current cash flow problem at the Municipality in terms of which expenditure inclusive of repairs and maintenance has been reduced in line with realistically expected revenue streams. This is not sustainable in the medium to long term and the Municipality needs to address this as matter of urgency.

The table provides a breakdown of the repairs and maintenance in relation to asset class:

**MP305 Lekwa - Supporting Table SA34c Repairs and maintenance expenditure by asset class**

Description R thousand	2010/11	2011/12	2012/13	Current Year 2013/14		2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b><u>Repairs and maintenance expenditure by Asset Class/Sub-class</u></b>								
<b><u>Infrastructure</u></b>	<b>8 171</b>	<b>8 147</b>	<b>6 919</b>	<b>7 176</b>	<b>8 508</b>	<b>9 845</b>	<b>10 977</b>	<b>12 185</b>
Infrastructure - Road transport	1 774	1 380	557	945	590	1 386	1 545	1 715
<i>Roads, Pavements &amp; Bridges</i>	1 774	1 380	557	945	590	1 386	1 545	1 715
Infrastructure - Electricity	3 669	3 798	3 413	3 622	5 004	5 360	5 976	6 633
<i>Transmission &amp; Reticulation</i>	3 220	3 474	3 035	3 022	4 603	4 440	4 950	5 495
<i>Street Lighting</i>	449	324	378	600	401	920	1 026	1 139
Infrastructure - Water	2 065	1 836	2 209	1 709	2 100	2 250	2 509	2 785
<i>Reticulation</i>	2 065	1 836	2 209	1 709	2 100	2 250	2 509	2 785
Infrastructure - Sanitation	662	1 132	740	900	814	850	948	1 052
<i>Sewerage purification</i>	662	1 132	740	900	814	850	948	1 052
<b><u>Other assets</u></b>	<b>8 448</b>	<b>7 086</b>	<b>6 678</b>	<b>5 548</b>	<b>5 371</b>	<b>7 048</b>	<b>7 614</b>	<b>8 261</b>
General vehicles	3 349	3 585	2 466	2 606	2 804	3 100	3 224	3 398
Specialised vehicles	–	–	–	–	–	–	–	–
Plant & equipment	2 428	1 590	1 306	1 588	1 449	2 004	2 234	2 480
Computers - hardware/equipment	104	254	13	52	40	52	57	64
Furniture and other office equipment	44	21	4	14	10	12	13	14
Other Buildings	1 275	432	336	267	222	268	299	332
Other Land	523	356	1	109	14	28	31	35
Other	725	848	2 553	912	832	1 585	1 756	1 939
<b><u>Intangibles</u></b>	<b>827</b>	<b>521</b>	<b>260</b>	<b>425</b>	<b>391</b>	<b>515</b>	<b>574</b>	<b>637</b>
Computers - software & programming	827	521	260	425	391	515	574	637
<b>Total Repairs and Maintenance Expenditure</b>	<b>17 445</b>	<b>15 754</b>	<b>13 857</b>	<b>13 149</b>	<b>14 271</b>	<b>17 408</b>	<b>19 165</b>	<b>21 084</b>

## **Capital Expenditure**

For the 2014/15 financial year an amount of R 34.7 million has been appropriated for capital budget of which R33.4 million is appropriated for the development of infrastructure which represents 96.2 per cent of the total capital budget.

In terms of NT circular 66 and 70 at least 40% of Capital Expenditure should be allocated for assets renewal. Therefore at least R13.6 million should have been allocated for assets renewal. Over R 25 million of the infrastructures capital budget relates to the upgrading of infrastructure and this will increase the current capacity of the current infrastructure. New assets contributes 85.63% (R 29 million), while assets renewal contributes 14.37% (R 5 million)

The following capital project will be implemented in 2014/2015 financial year

- Upgrade of Standerton Water Treatment Works R 10 million
- Standerton Waste Water Treatment Works Upgrade R 15 million
- Replacement of AC pipes with PVC Pipes R 5 million
- Installation of Boreholes in Rural Areas R 1.5 million
- Installation of Sanitation services in rural areas of Lekwa LM R 1.1 million

**MP305 Lekwa - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding**

Vote Description R thousand	2012/13	Current Year 2013/14		2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b><u>Capital expenditure - Vote</u></b>						
<b><u>Multi-year expenditure to be appropriated</u></b>						
Vote 2 - Budget & Treasury	–	–	–	1 300	–	–
Vote 8 - Water	–	–	–	16 500	13 500	14 870
Vote 9 - Waste Water Managen	–	–	–	16 984	13 306	13 000
<b><u>Single-year expenditure to be appropriated</u></b>						
Vote 1 - Council & Executive	–	–	–	–	–	–
Vote 2 - Budget & Treasury	4 238	–	–	–	–	–
Vote 3 - Corporate	–	–	–	–	–	–
Vote 4 - Community Services	5 486	10 056	10 056	–	–	–
Vote 5 - Roads	10 276	2 000	2 000	–	–	–
Vote 7 - Electricity	2 032	2 200	2 200	–	–	–
Vote 8 - Water	661	10 052	10 052	–	–	–
Vote 9 - Waste Water Managen	5 121	19 000	19 000	–	–	–
Vote 10 - Waste Management	7 637	–	–	–	–	–
<b>Capital single-year expenditu</b>	<b>35 449</b>	<b>43 308</b>	<b>43 308</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total Capital Expenditure - Vc</b>	<b>35 449</b>	<b>43 308</b>	<b>43 308</b>	<b>34 784</b>	<b>26 806</b>	<b>27 870</b>
<b><u>Funded by:</u></b>						
National Government	31 212	42 508	64 699	33 484	26 806	27 870
Transfers recognised - capita	31 212	42 508	64 699	33 484	26 806	27 870
<b><u>Borrowing</u></b>						
Internally generated funds	4 238	800	2 820	1 300		
<b>Total Capital Funding</b>	<b>35 449</b>	<b>43 308</b>	<b>67 519</b>	<b>34 784</b>	<b>26 806</b>	<b>27 870</b>

## Surplus/Deficit

The 2014/15 operational budget is not fully funded by an amount of R192.834 million. If depreciation is deducted it leaves a cash deficit of R53.638 million. The Municipality will need to find means to fund this deficit by further reducing expenditure as well as through the collection of outstanding debtors from previous financial years through the debt collection process. The MTREF has been prepared to phase out operating deficits (excluding depreciation) by 2016/17.

**MP305 Lekwa - Table A4 Budgeted Financial Performance (revenue and expenditure)**

Description	2012/13	Current Year 2013/14		2014/15 Medium Term Revenue & Expenditure		
	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousand</b>						
<b>Revenue By Source</b>						
Property rates	66 365	47 321	49 952	52 600	55 230	57 992
Service charges - electricity revenue	174 886	209 192	188 374	227 984	254 283	276 532
Service charges - water revenue	37 664	37 120	38 119	40 978	44 871	48 797
Service charges - sanitation revenue	21 707	22 920	23 004	24 730	27 079	29 448
Service charges - refuse revenue	12 164	13 031	12 894	13 861	15 178	16 506
Rental of facilities and equipment	651	792	553	595	651	708
Interest earned - external investments	837	606	237	255	279	304
Interest earned - outstanding debtors	14 110	15 585	16 931	18 200	19 929	21 673
Fines	271	2 705	2 704	2 907	3 183	3 462
Agency services	18 591	20 263	15 520	16 331	17 883	19 447
Transfers recognised - operational	81 942	86 670	86 425	90 235	93 305	98 201
Other revenue	1 983	886	1 351	1 540	1 686	1 833
Gains on disposal of PPE						
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>431 172</b>	<b>457 091</b>	<b>436 065</b>	<b>490 216</b>	<b>533 557</b>	<b>574 904</b>
<b>Expenditure By Type</b>						
Employee related costs	114 990	105 433	108 808	127 068	131 819	138 350
Remuneration of councillors	8 417	8 554	9 162	10 503	11 343	12 251
Debt impairment	77 099	57 133	94 708	90 818	78 419	61 111
Depreciation & asset impairment						
Finance charges	14 219	1 111	831	764	795	838
Bulk purchases	186 519	198 020	188 614	213 085	232 344	250 843
Other materials	2 995	2 916	3 257	5 089	5 293	5 579
Contracted services	23 250	20 322	30 933	26 340	28 085	27 540
Transfers and grants	41 647	27 950	12 944	11 393	8 322	9 880
Other expenditure	37 621	57 705	50 412	58 793	62 865	67 441
Loss on disposal of PPE						
<b>Total Expenditure</b>	<b>506 756</b>	<b>479 143</b>	<b>499 671</b>	<b>543 854</b>	<b>559 285</b>	<b>573 832</b>
<b>Surplus/(Deficit)</b>	<b>(75 584)</b>	<b>(22 052)</b>	<b>(63 606)</b>	<b>(53 638)</b>	<b>(25 728)</b>	<b>1 072</b>

**DRAFT BUDGET TABLES AND RELATED CHARTS A1 SCHEDULES – ANNEXURE A**

MP305 Lekwa - Table A1 Budget Summary

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousands										
<b>Financial Performance</b>										
Property rates	37,944	37,301	66,365	47,321	49,952	-	-	52,600	55,230	57,992
Service charges	169,899	198,599	246,422	282,263	262,392	-	-	307,553	341,411	371,284
Investment revenue	767	726	837	606	237	-	-	255	279	304
Transfers recognised - operational	64,309	73,251	81,942	86,670	86,425	-	-	90,235	93,305	98,201
Other own revenue	21,586	33,238	35,606	40,231	37,059	-	-	39,573	43,333	47,124
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>294,505</b>	<b>343,115</b>	<b>431,172</b>	<b>457,091</b>	<b>436,065</b>	<b>-</b>	<b>-</b>	<b>490,216</b>	<b>533,557</b>	<b>574,904</b>
Employee costs	97,027	94,593	119,665	105,433	108,808	-	-	127,068	131,819	138,350
Remuneration of councillors	6,641	8,031	-	8,554	9,162	-	-	10,503	11,343	12,251
Depreciation & asset impairment	352	60,891	121,508	135,296	134,582	-	-	139,196	144,416	150,444
Finance charges	437	1,176	14,219	1,111	831	-	-	764	795	838
Materials and bulk purchases	128,912	171,845	189,514	200,936	191,871	-	-	218,175	237,637	256,422
Transfers and grants	16,381	20,898	41,647	27,950	12,944	-	-	11,393	8,322	9,880
Other expenditure	69,827	107,499	141,711	135,160	176,053	-	-	175,950	169,369	156,092
<b>Total Expenditure</b>	<b>319,576</b>	<b>464,933</b>	<b>628,264</b>	<b>614,440</b>	<b>634,252</b>	<b>-</b>	<b>-</b>	<b>683,050</b>	<b>703,702</b>	<b>724,277</b>
<b>Surplus/(Deficit)</b>	<b>(25,071)</b>	<b>(121,818)</b>	<b>(197,092)</b>	<b>(157,348)</b>	<b>(198,187)</b>	<b>-</b>	<b>-</b>	<b>(192,834)</b>	<b>(170,144)</b>	<b>(149,372)</b>
Transfers recognised - capital	-	-	-	-	-	-	-	-	-	-
Contributions recognised - capital & contributed a	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(25,071)</b>	<b>(121,818)</b>	<b>(197,092)</b>	<b>(157,348)</b>	<b>(198,187)</b>	<b>-</b>	<b>-</b>	<b>(192,834)</b>	<b>(170,144)</b>	<b>(149,372)</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>(25,071)</b>	<b>(121,818)</b>	<b>(197,092)</b>	<b>(157,348)</b>	<b>(198,187)</b>	<b>-</b>	<b>-</b>	<b>(192,834)</b>	<b>(170,144)</b>	<b>(149,372)</b>
<b>Capital expenditure &amp; funds sources</b>										
Capital expenditure	-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	16,829	40,950	-	42,508	64,699	-	-	33,484	26,806	27,870
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	1,300	-	-
Internally generated funds	2,895	3,165	-	800	2,820	-	-	-	-	-
<b>Total sources of capital funds</b>	<b>19,724</b>	<b>44,115</b>	<b>-</b>	<b>43,308</b>	<b>67,519</b>	<b>-</b>	<b>-</b>	<b>34,784</b>	<b>26,806</b>	<b>27,870</b>
<b>Financial position</b>										
Total current assets	53,101	76,384	78,726	97,193	97,193	-	-	130,670	718,654	455,216
Total non current assets	1,440,370	1,992,218	1,906,016	1,885,866	1,885,866	-	-	1,808,527	1,845,023	1,834,487
Total current liabilities	66,348	181,422	278,322	164,782	164,782	-	-	321,639	347,924	374,230
Total non current liabilities	35,765	89,260	92,289	32,309	32,309	-	-	94,269	97,968	102,419
Community wealth/Equity	1,391,358	1,797,920	1,614,132	1,785,968	1,785,968	-	-	1,523,288	2,117,785	1,813,054
<b>Cash flows</b>										
Net cash from (used) operating	8,237	43,310	33,360	23,135	(20,583)	-	-	(54,138)	(26,248)	524
Net cash from (used) investing	(14,518)	(35,331)	(31,048)	(43,308)	(77,920)	-	-	-	-	-
Net cash from (used) financing	(459)	(1,647)	(1,285)	(1,000)	(1,000)	-	-	-	-	-
<b>Cash/cash equivalents at the year end</b>	<b>8,941</b>	<b>15,273</b>	<b>16,300</b>	<b>15,535</b>	<b>(99,503)</b>	<b>-</b>	<b>-</b>	<b>(54,138)</b>	<b>(80,386)</b>	<b>(79,861)</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	8,941	15,273	16,300	52,409	52,409	-	-	34,922	3,491	2,897
Application of cash and investments	14,005	117,965	215,891	75,982	79,673	-	-	248,892	(219,776)	(7,183)
<b>Balance - surplus (shortfall)</b>	<b>(5,064)</b>	<b>(102,692)</b>	<b>(199,592)</b>	<b>(23,572)</b>	<b>(27,263)</b>	<b>-</b>	<b>-</b>	<b>(213,970)</b>	<b>223,267</b>	<b>10,079</b>
<b>Asset management</b>										
Asset register summary (WDV)	-	10,250	9,881	-	-	-	10,869	10,869	11,412	12,097
Depreciation & asset impairment	352	60,891	121,508	135,296	134,582	-	139,196	139,196	144,416	150,444
Renewal of Existing Assets	-	-	-	21,052	28,310	-	-	5,000	4,000	4,000
Repairs and Maintenance	17,445	15,754	13,857	13,149	14,271	-	17,408	17,408	19,165	21,084
<b>Free services</b>										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
<b>Households below minimum service level</b>										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

MP305 Lekwa - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousand</b>	<b>1</b>									
<b>Revenue - Standard</b>										
<i>Governance and administration</i>		120,069	131,091	164,097	148,953	152,150	–	160,255	168,031	177,443
Executive and council		64,126	70,044	79,570	81,454	81,336	–	85,053	88,255	93,022
Budget and treasury office		55,262	60,296	84,118	66,229	69,802	–	73,794	78,280	82,829
Corporate services		682	751	409	1,270	1,012	–	1,409	1,496	1,592
<i>Community and public safety</i>		716	431	535	2,998	2,870	–	3,093	3,387	3,683
Community and social services		371	(779)	357	361	278	–	306	335	365
Sport and recreation		28	54	18	53	11	–	12	13	14
Public safety		318	1,157	160	2,584	2,582	–	2,775	3,039	3,305
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
<i>Economic and environmental services</i>		3,392	12,460	19,554	22,399	18,082	–	18,565	19,908	21,602
Planning and development		10	10	33	2,115	2,079	–	1,715	1,457	1,536
Road transport		3,382	12,450	19,521	20,284	16,003	–	16,850	18,451	20,066
Environmental protection		–	–	–	–	–	–	–	–	–
<i>Trading services</i>		170,327	199,134	246,986	282,741	262,962	–	308,302	342,231	372,176
Electricity		122,046	137,214	175,388	209,646	188,935	–	228,587	254,943	277,251
Water		21,150	30,875	37,705	37,127	38,120	–	41,115	45,021	48,960
Waste water management		18,042	21,248	21,718	22,924	23,005	–	24,731	27,080	29,450
Waste management		9,089	9,798	12,176	13,044	12,902	–	13,869	15,187	16,516
<i>Other</i>	4	–	–	–	–	–	–	–	–	–
<b>Total Revenue - Standard</b>	<b>2</b>	<b>294,505</b>	<b>343,115</b>	<b>431,172</b>	<b>457,091</b>	<b>436,065</b>	<b>–</b>	<b>490,216</b>	<b>533,557</b>	<b>574,904</b>
<b>Expenditure - Standard</b>										
<i>Governance and administration</i>		68,532	176,573	290,555	301,811	315,043	–	274,329	270,827	276,245
Executive and council		34,651	44,385	45,588	194,216	169,384	–	184,347	183,013	191,286
Budget and treasury office		20,372	116,236	229,040	92,232	130,793	–	74,827	70,814	66,938
Corporate services		13,509	15,951	15,927	15,362	14,867	–	15,155	17,001	18,020
<i>Community and public safety</i>		30,311	37,091	38,333	30,467	34,954	–	37,491	43,503	45,771
Community and social services		10,339	13,599	14,662	10,111	13,799	–	14,019	15,869	16,746
Sport and recreation		6,641	6,982	7,334	5,580	6,898	–	7,967	8,456	8,933
Public safety		13,142	15,712	15,804	12,006	13,938	–	12,632	16,122	16,842
Housing		10	6	7	2,769	31	–	2,872	3,056	3,251
Health		179	792	527	–	289	–	–	–	–
<i>Economic and environmental services</i>		22,348	21,039	21,416	35,579	33,799	–	36,699	40,403	43,267
Planning and development		88	332	179	2,709	182	–	5,449	5,795	6,165
Road transport		22,260	20,707	21,237	32,870	33,617	–	31,250	34,608	37,101
Environmental protection		–	–	–	–	–	–	–	–	–
<i>Trading services</i>		198,386	230,230	277,960	246,583	250,455	–	334,531	348,968	358,994
Electricity		140,747	180,683	201,554	204,587	200,908	–	244,286	260,092	272,797
Water		36,738	26,846	32,002	21,847	26,165	–	46,684	45,919	44,693
Waste water management		8,879	9,651	9,481	7,481	9,469	–	21,046	20,307	19,128
Waste management		12,022	13,051	34,923	12,668	13,913	–	22,515	22,650	22,377
<i>Other</i>	4	–	–	–	–	–	–	–	–	–
<b>Total Expenditure - Standard</b>	<b>3</b>	<b>319,576</b>	<b>464,933</b>	<b>628,264</b>	<b>614,440</b>	<b>634,252</b>	<b>–</b>	<b>683,050</b>	<b>703,702</b>	<b>724,277</b>
<b>Surplus/(Deficit) for the year</b>		<b>(25,071)</b>	<b>(121,818)</b>	<b>(197,092)</b>	<b>(157,348)</b>	<b>(198,187)</b>	<b>–</b>	<b>(192,834)</b>	<b>(170,144)</b>	<b>(149,372)</b>

MP305 Lekwa - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue by Vote	1									
Vote 1 - Council & Executive		64,126	70,044	79,570	81,454	81,336	–	85,053	88,255	93,022
Vote 2 - Budget & Treasury		55,262	60,296	84,118	66,229	69,802	–	73,794	78,280	82,829
Vote 3 - Corporate		682	751	409	1,270	1,012	–	1,409	1,496	1,592
Vote 4 - Community Services		716	431	535	2,998	2,870	–	3,093	3,387	3,683
Vote 5 - Roads		3,382	12,450	19,521	20,284	16,003	–	16,850	18,451	20,066
Vote 6 - Planning & Development		10	10	33	2,115	2,079	–	1,715	1,457	1,536
Vote 7 - Electricity		122,046	137,214	175,388	209,646	188,935	–	228,587	254,943	277,251
Vote 8 - Water		21,150	30,875	37,705	37,127	38,120	–	41,115	45,021	48,960
Vote 9 - Waste Water Management		18,042	21,248	21,718	22,924	23,005	–	24,731	27,080	29,450
Vote 10 - Waste Management		9,089	9,798	12,176	13,044	12,902	–	13,869	15,187	16,516
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–
Total Revenue by Vote	2	294,505	343,115	431,172	457,091	436,065	–	490,216	533,557	574,904
Expenditure by Vote to be appropriated	1									
Vote 1 - Council & Executive		34,651	44,385	45,588	194,216	169,384	–	184,347	183,013	191,286
Vote 2 - Budget & Treasury		20,372	116,236	229,040	92,232	130,793	–	74,827	70,814	66,938
Vote 3 - Corporate		13,509	15,951	15,927	15,362	14,867	–	15,155	17,001	18,020
Vote 4 - Community Services		30,311	37,091	38,333	30,467	34,954	–	37,491	43,503	45,771
Vote 5 - Roads		22,260	20,707	21,237	32,870	33,617	–	31,250	34,608	37,101
Vote 6 - Planning & Development		88	332	179	2,709	182	–	5,449	5,795	6,165
Vote 7 - Electricity		140,747	180,683	201,554	204,587	200,908	–	244,286	260,092	272,797
Vote 8 - Water		36,738	26,846	32,002	21,847	26,165	–	46,684	45,919	44,693
Vote 9 - Waste Water Management		8,879	9,651	9,481	7,481	9,469	–	21,046	20,307	19,128
Vote 10 - Waste Management		12,022	13,051	34,923	12,668	13,913	–	22,515	22,650	22,377
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–
Total Expenditure by Vote	2	319,576	464,933	628,264	614,440	634,252	–	683,050	703,702	724,277
Surplus/(Deficit) for the year	2	(25,071)	(121,818)	(197,092)	(157,348)	(198,187)	–	(192,834)	(170,144)	(149,372)



MP305 Lekwa - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description		Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand		1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Revenue By Source</b>												
Property rates	2		37,944	37,301	66,365	47,321	49,952	-	-	52,600	55,230	57,992
Property rates - penalties & collection charges												
Service charges - electricity revenue	2		121,629	136,699	174,886	209,192	188,374	-	-	227,984	254,283	276,532
Service charges - water revenue	2		21,146	30,862	37,664	37,120	38,119	-	-	40,978	44,871	48,797
Service charges - sanitation revenue	2		18,041	21,248	21,707	22,920	23,004	-	-	24,730	27,079	29,448
Service charges - refuse revenue	2		9,083	9,790	12,164	13,031	12,894	-	-	13,861	15,178	16,506
Service charges - other												
Rental of facilities and equipment			784	(353)	651	792	553	-	-	595	651	708
Interest earned - external investments			767	726	837	606	237	-	-	255	279	304
Interest earned - outstanding debtors			16,048	18,450	14,110	15,585	16,931	-	-	18,200	19,929	21,673
Dividends received												
Fines			361	2,166	271	2,705	2,704	-	-	2,907	3,183	3,462
Licences and permits												
Agency services			2,951	12,412	18,591	20,263	15,520	-	-	16,331	17,883	19,447
Transfers recognised - operational			64,309	73,251	81,942	86,670	86,425	-	-	90,235	93,305	98,201
Other revenue			1,441	563	1,983	886	1,351	-	-	1,540	1,686	1,833
Gains on disposal of PPE	2											
<b>Total Revenue (excluding capital transfers and contributions)</b>			<b>294,505</b>	<b>343,115</b>	<b>431,172</b>	<b>457,091</b>	<b>436,065</b>	<b>-</b>	<b>-</b>	<b>490,216</b>	<b>533,557</b>	<b>574,904</b>
<b>Expenditure By Type</b>												
Employee related costs	2		97,027	94,593	119,665	105,433	108,808	-	-	127,068	131,819	138,350
Remuneration of councillors			6,641	8,031		8,554	9,162			10,503	11,343	12,251
Debt impairment	3		21,757	39,082	77,099	57,133	94,708	-	-	90,818	78,419	61,111
Depreciation & asset impairment	2		352	60,891	121,508	135,296	134,582	-	-	139,196	144,416	150,444
Finance charges			437	1,176	14,219	1,111	831	-	-	764	795	838
Bulk purchases	2		125,663	167,691	186,519	198,020	188,614	-	-	213,085	232,344	250,843
Other materials	8		3,249	4,154	2,985	2,916	3,257	-	-	5,089	5,293	5,579
Contracted services			11,217	21,854	23,250	20,322	30,933	-	-	26,340	28,085	27,540
Transfers and grants			16,381	20,898	41,647	27,950	12,944	-	-	11,393	8,322	9,880
Other expenditure	4, 5		36,853	46,564	41,363	57,705	50,412	-	-	58,793	62,865	67,441
Loss on disposal of PPE												
<b>Total Expenditure</b>			<b>319,576</b>	<b>464,933</b>	<b>628,264</b>	<b>614,440</b>	<b>634,252</b>	<b>-</b>	<b>-</b>	<b>683,050</b>	<b>703,702</b>	<b>724,277</b>
<b>Surplus/(Deficit)</b>			<b>(25,071)</b>	<b>(121,818)</b>	<b>(197,092)</b>	<b>(157,348)</b>	<b>(198,187)</b>	<b>-</b>	<b>-</b>	<b>(192,834)</b>	<b>(170,144)</b>	<b>(149,372)</b>
Transfers recognised - capital												
Contributions recognised - capital	6		-	-	-	-	-	-	-	-	-	-
Contributed assets												
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>			<b>(25,071)</b>	<b>(121,818)</b>	<b>(197,092)</b>	<b>(157,348)</b>	<b>(198,187)</b>	<b>-</b>	<b>-</b>	<b>(192,834)</b>	<b>(170,144)</b>	<b>(149,372)</b>
Taxation												
<b>Surplus/(Deficit) after taxation</b>			<b>(25,071)</b>	<b>(121,818)</b>	<b>(197,092)</b>	<b>(157,348)</b>	<b>(198,187)</b>	<b>-</b>	<b>-</b>	<b>(192,834)</b>	<b>(170,144)</b>	<b>(149,372)</b>
Attributable to minorities												
<b>Surplus/(Deficit) attributable to municipality</b>			<b>(25,071)</b>	<b>(121,818)</b>	<b>(197,092)</b>	<b>(157,348)</b>	<b>(198,187)</b>	<b>-</b>	<b>-</b>	<b>(192,834)</b>	<b>(170,144)</b>	<b>(149,372)</b>
Share of surplus/ (deficit) of associate	7											
<b>Surplus/(Deficit) for the year</b>			<b>(25,071)</b>	<b>(121,818)</b>	<b>(197,092)</b>	<b>(157,348)</b>	<b>(198,187)</b>	<b>-</b>	<b>-</b>	<b>(192,834)</b>	<b>(170,144)</b>	<b>(149,372)</b>



MP305 Lekwa - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousand</b>	<b>1</b>										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - Council & Executive		-	-	-	-	-	-	-	-	-	-
Vote 2 - Budget & Treasury		-	-	-	-	-	-	-	1,300	-	-
Vote 3 - Corporate		-	-	-	-	-	-	-	-	-	-
Vote 4 - Community Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Roads		-	-	-	-	-	-	-	-	-	-
Vote 6 - Planning & Development		-	-	-	-	-	-	-	-	-	-
Vote 7 - Electricity		-	-	-	-	-	-	-	-	-	-
Vote 8 - Water		-	-	-	-	-	-	-	16,500	13,500	14,870
Vote 9 - Waste Water Management		-	-	-	-	-	-	-	16,984	13,306	13,000
Vote 10 - Waste Management		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	<b>7</b>	-	-	-	-	-	-	-	<b>34,784</b>	<b>26,806</b>	<b>27,870</b>
<b>Single-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - Council & Executive		-	13	-	-	-	-	-	-	-	-
Vote 2 - Budget & Treasury		23	74	4,226	-	2,020	-	-	-	-	-
Vote 3 - Corporate		-	2,544	-	-	-	-	-	-	-	-
Vote 4 - Community Services		724	6,587	5,486	10,056	19,424	-	-	-	-	-
Vote 5 - Roads		14,848	29,896	10,276	2,000	10,095	-	-	-	-	-
Vote 6 - Planning & Development		-	-	-	-	-	-	-	-	-	-
Vote 7 - Electricity		1,236	2,102	2,032	2,200	2,688	-	-	-	-	-
Vote 8 - Water		2,646	832	661	10,052	15,009	-	-	-	-	-
Vote 9 - Waste Water Management		-	1,973	5,121	19,000	26,435	-	-	-	-	-
Vote 10 - Waste Management		245	93	7,637	-	2,250	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		<b>19,724</b>	<b>44,115</b>	<b>35,437</b>	<b>43,308</b>	<b>77,920</b>	-	-	-	-	-
<b>Total Capital Expenditure - Vote</b>		<b>19,724</b>	<b>44,115</b>	<b>35,437</b>	<b>43,308</b>	<b>77,920</b>	-	-	<b>34,784</b>	<b>26,806</b>	<b>27,870</b>
<b>Capital Expenditure - Standard</b>											
<b>Governance and administration</b>		-	-	-	-	-	-	-	-	-	-
Executive and council											
Budget and treasury office											
Corporate services											
<b>Community and public safety</b>		-	-	-	-	-	-	-	-	-	-
Community and social services											
Sport and recreation											
Public safety											
Housing											
Health											
<b>Economic and environmental services</b>		-	-	-	-	-	-	-	-	-	-
Planning and development											
Road transport											
Environmental protection											
<b>Trading services</b>		-	-	-	-	-	-	-	-	-	-
Electricity											
Water											
Waste water management											
Waste management											
<b>Other</b>											
<b>Total Capital Expenditure - Standard</b>	<b>3</b>	-	-	-	-	-	-	-	-	-	-
<b>Funded by:</b>											
National Government		16,829	40,950	31,212	42,508	64,699			33,484	26,806	27,870
Provincial Government											
District Municipality											
Other transfers and grants											
<b>Transfers recognised - capital</b>	<b>4</b>	<b>16,829</b>	<b>40,950</b>	<b>31,212</b>	<b>42,508</b>	<b>64,699</b>	-	-	<b>33,484</b>	<b>26,806</b>	<b>27,870</b>
<b>Public contributions &amp; donations</b>	<b>5</b>										
<b>Borrowing</b>	<b>6</b>								1,300		
<b>Internally generated funds</b>		2,895	3,165	4,226	800	2,820					
<b>Total Capital Funding</b>	<b>7</b>	<b>19,724</b>	<b>44,115</b>	<b>35,437</b>	<b>43,308</b>	<b>67,519</b>	-	-	<b>34,784</b>	<b>26,806</b>	<b>27,870</b>

MP305 Lekwa - Table A6 Budgeted Financial Position

Description		Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
ASSETS												
Current assets												
Cash			1,521			18,409	18,409			6,985	3,491	2,897
Call investment deposits	1		7,420	15,273	23,780	34,000	34,000	-	-	27,936	-	-
Consumer debtors	1		35,211	51,617	45,315	31,563	31,563	-	-	87,350	705,824	442,329
Other debtors			6,852	7,172	7,167	10,378	10,378			6,306	6,896	7,880
Current portion of long-term receivables												
Inventory	2		2,096	2,322	2,464	2,843	2,843			2,093	2,443	2,110
Total current assets			53,101	76,384	78,726	97,193	97,193	-	-	130,670	718,654	455,216
Non current assets												
Long-term receivables												
Investments												
Investment property				10,250	9,881					10,869	11,412	12,097
Investment in Associate												
Property, plant and equipment	3		1,440,370	1,981,968	1,896,136	1,885,866	1,885,866	-	-	1,797,658	1,833,611	1,822,390
Agricultural												
Biological												
Intangible												
Other non-current assets												
Total non current assets			1,440,370	1,992,218	1,906,016	1,885,866	1,885,866	-	-	1,808,527	1,845,023	1,834,487
TOTAL ASSETS			1,493,471	2,068,602	1,984,743	1,983,059	1,983,059	-	-	1,939,197	2,563,677	2,289,703
LIABILITIES												
Current liabilities												
Bank overdraft	1				7,481							
Borrowing	4		248	1,350	1,102	1,699	1,699	-	-	-	-	-
Consumer deposits			2,542	2,592	2,705	2,609	2,609			2,789	2,873	2,930
Trade and other payables	4		63,210	177,480	261,754	160,126	160,126	-	-	318,850	345,051	371,299
Provisions			348		5,280	348	348					
Total current liabilities			66,348	181,422	278,322	164,782	164,782	-	-	321,639	347,924	374,230
Non current liabilities												
Borrowing			3,751	1,037	-	-	-	-	-	-	-	-
Provisions			32,014	88,222	92,289	32,309	32,309	-	-	94,269	97,968	102,419
Total non current liabilities			35,765	89,260	92,289	32,309	32,309	-	-	94,269	97,968	102,419
TOTAL LIABILITIES			102,113	270,682	370,611	197,091	197,091	-	-	415,908	445,892	476,649
NET ASSETS	5		1,391,358	1,797,920	1,614,132	1,785,968	1,785,968	-	-	1,523,288	2,117,785	1,813,054
COMMUNITY WEALTH/EQUITY												
Accumulated Surplus/(Deficit)			1,391,358	1,797,920	1,614,132	1,785,968	1,785,968			1,523,288	2,117,785	1,813,054
Reserves	4		-	-	-	-	-	-	-	-	-	-
Minorities' interests												
TOTAL COMMUNITY WEALTH/EQUITY	5		1,391,358	1,797,920	1,614,132	1,785,968	1,785,968	-	-	1,523,288	2,117,785	1,813,054

MP305 Lekwa - Table A7 Budgeted Cash Flows

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		165,849	223,451	263,117	284,207	237,764			298,584	348,677	400,500
Government - operating	1	84,896	73,978	92,441	86,670	86,425			89,270	92,294	96,170
Government - capital	1		37,158	35,897	42,508	42,508					
Interest		16,815	19,176	14,947	11,983	17,168			4,856	7,211	9,792
Dividends											
Payments											
Suppliers and employees		(258,854)	(306,303)	(354,808)	(398,232)	(400,447)			(446,083)	(473,634)	(505,100)
Finance charges		(469)	(4,149)	(18,233)	(1,711)	(1,711)			(764)	(795)	(838)
Transfers and Grants	1				(2,290)	(2,290)					
NET CASH FROM/(USED) OPERATING ACTIVITIES		8,237	43,310	33,360	23,135	(20,583)	-	-	(54,138)	(26,248)	524
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE											
Decrease (Increase) in non-current debtors											
Decrease (increase) other non-current receivables											
Decrease (increase) in non-current investments											
Payments											
Capital assets		(14,518)	(35,331)	(31,048)	(43,308)	(77,920)					
NET CASH FROM/(USED) INVESTING ACTIVITIES		(14,518)	(35,331)	(31,048)	(43,308)	(77,920)	-	-	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans											
Borrowing long term/refinancing											
Increase (decrease) in consumer deposits											
Payments											
Repayment of borrowing		(459)	(1,647)	(1,285)	(1,000)	(1,000)					
NET CASH FROM/(USED) FINANCING ACTIVITIES		(459)	(1,647)	(1,285)	(1,000)	(1,000)	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		(6,740)	6,331	1,027	(21,173)	(99,503)	-	-	(54,138)	(26,248)	524
Cash/cash equivalents at the year begin:	2	15,682	8,941	15,273	36,708				(54,138)	(80,386)	(80,386)
Cash/cash equivalents at the year end:	2	8,941	15,273	16,300	15,535	(99,503)	-	-	(54,138)	(80,386)	(79,861)

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousand</b>											
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	8,941	15,273	16,300	15,535	(99,503)	-	-	(54,138)	(80,386)	(79,861)
Other current investments > 90 days		-	-	(0)	36,874	151,912	-	-	89,059	83,877	82,758
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>8,941</b>	<b>15,273</b>	<b>16,300</b>	<b>52,409</b>	<b>52,409</b>	<b>-</b>	<b>-</b>	<b>34,922</b>	<b>3,491</b>	<b>2,897</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		13,760	10,994	21,940	15,000	15,000	-	-	27,936	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	245	106,971	193,951	60,982	64,673	-	-	220,956	(219,776)	(7,183)
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>		<b>14,005</b>	<b>117,965</b>	<b>215,891</b>	<b>75,982</b>	<b>79,673</b>	<b>-</b>	<b>-</b>	<b>248,892</b>	<b>(219,776)</b>	<b>(7,183)</b>
<b>Surplus(shortfall)</b>		<b>(5,064)</b>	<b>(102,692)</b>	<b>(199,592)</b>	<b>(23,572)</b>	<b>(27,263)</b>	<b>-</b>	<b>-</b>	<b>(213,970)</b>	<b>223,267</b>	<b>10,079</b>

1. Must reconcile with Budgeted Cash Flows
2. For example: VAT, taxation
3. Council approval for policy required - include sufficient working capital (e.g. allowing for a % of current debtors > 90 days as uncollectable)
4. For example: sinking fund requirements for borrowing
5. Council approval required for each reserve created and basis of cash backing of reserves

Debtors	30,407	48,809	39,636	32,232	28,541	-	-	69,958	564,827	378,482
Creditors due	30,652	155,780	233,587	93,214	93,214	-	-	290,914	345,051	371,299
Total	(245)	(106,971)	(193,951)	(60,982)	(64,673)	-	-	(220,956)	219,776	7,183

Balance outstanding - debtors	42,063	58,789	52,482	41,941	41,941	-	-	93,656	712,720	450,209
Estimate of debtors collection rate	72%	83%	76%	77%	68%	0%	0%	75%	79%	84%

[illegible]

MP305 Lekwa - Table A9 Asset Management

Description		Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
CAPITAL EXPENDITURE											
<b>Total New Assets</b>		1	19,724	44,115	–	22,256	49,610	–	29,784	22,806	23,870
Infrastructure - Road transport			14,587	29,570	–	2,000	10,095	–	–	–	–
Infrastructure - Electricity			1,193	2,102	–	2,200	2,688	–	–	–	–
Infrastructure - Water			2,646	832	–	3,800	8,757	–	11,500	9,500	10,870
Infrastructure - Sanitation			–	1,973	–	4,200	4,377	–	16,984	13,306	13,000
Infrastructure - Other			–	93	–	–	2,250	–	–	–	–
Infrastructure			18,427	34,570	–	12,200	28,166	–	28,484	22,806	23,870
Community			–	6,557	–	10,056	19,424	–	–	–	–
Heritage assets			–	–	–	–	–	–	–	–	–
Investment properties			–	–	–	–	–	–	–	–	–
Other assets		6	1,297	2,988	–	–	2,020	–	1,300	–	–
Agricultural Assets			–	–	–	–	–	–	–	–	–
Biological assets			–	–	–	–	–	–	–	–	–
Intangibles			–	–	–	–	–	–	–	–	–
<b>Total Renewal of Existing Assets</b>		2	–	–	–	21,052	28,310	–	5,000	4,000	4,000
Infrastructure - Road transport			–	–	–	–	–	–	–	–	–
Infrastructure - Electricity			–	–	–	–	–	–	–	–	–
Infrastructure - Water			–	–	–	6,252	6,252	–	5,000	4,000	4,000
Infrastructure - Sanitation			–	–	–	14,800	22,058	–	–	–	–
Infrastructure - Other			–	–	–	–	–	–	–	–	–
Infrastructure			–	–	–	21,052	28,310	–	5,000	4,000	4,000
Community			–	–	–	–	–	–	–	–	–
Heritage assets			–	–	–	–	–	–	–	–	–
Investment properties			–	–	–	–	–	–	–	–	–
Other assets		6	–	–	–	–	–	–	–	–	–
Agricultural Assets			–	–	–	–	–	–	–	–	–
Biological assets			–	–	–	–	–	–	–	–	–
Intangibles			–	–	–	–	–	–	–	–	–
<b>Total Capital Expenditure</b>		4	–	–	–	–	–	–	–	–	–
Infrastructure - Road transport			14,587	29,570	–	2,000	10,095	–	–	–	–
Infrastructure - Electricity			1,193	2,102	–	2,200	2,688	–	–	–	–
Infrastructure - Water			2,646	832	–	10,052	15,009	–	16,500	13,500	14,870
Infrastructure - Sanitation			–	1,973	–	19,000	26,435	–	16,984	13,306	13,000
Infrastructure - Other			–	93	–	–	2,250	–	–	–	–
Infrastructure			18,427	34,570	–	33,252	56,476	–	33,484	26,806	27,870
Community			–	6,557	–	10,056	19,424	–	–	–	–
Heritage assets			–	–	–	–	–	–	–	–	–
Investment properties			–	–	–	–	–	–	–	–	–
Other assets			1,297	2,988	–	–	2,020	–	1,300	–	–
Agricultural Assets			–	–	–	–	–	–	–	–	–
Biological assets			–	–	–	–	–	–	–	–	–
Intangibles			–	–	–	–	–	–	–	–	–
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>		2	19,724	44,115	–	43,308	77,920	–	34,784	26,806	27,870
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>		5									
Infrastructure - Road transport											
Infrastructure - Electricity											
Infrastructure - Water											
Infrastructure - Sanitation											
Infrastructure - Other											
Infrastructure			–	–	–	–	–	–	–	–	–
Community											
Heritage assets											
Investment properties			–	10,250	9,881	–	–	–	10,869	11,412	12,097
Other assets											
Agricultural Assets			–	–	–	–	–	–	–	–	–
Biological assets			–	–	–	–	–	–	–	–	–
Intangibles			–	–	–	–	–	–	–	–	–
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>		5	–	10,250	9,881	–	–	–	10,869	11,412	12,097
<b>EXPENDITURE OTHER ITEMS</b>											
<b>Depreciation &amp; asset impairment</b>			352	60,891	121,508	135,296	134,582	–	139,196	144,416	150,444
<b>Repairs and Maintenance by Asset Class</b>		3	17,445	15,754	13,857	13,149	14,271	–	17,408	19,165	21,084
Infrastructure - Road transport			1,774	1,380	557	945	590	–	1,386	1,545	1,715
Infrastructure - Electricity			3,669	3,798	3,413	3,622	5,004	–	5,360	5,976	6,633
Infrastructure - Water			2,065	1,836	2,209	1,709	2,100	–	2,250	2,509	2,785
Infrastructure - Sanitation			662	1,132	740	900	814	–	850	948	1,052
Infrastructure - Other			–	–	–	–	–	–	–	–	–
Infrastructure			8,171	8,147	6,919	7,176	8,508	–	9,845	10,977	12,185
Community			–	–	–	–	–	–	–	–	–
Heritage assets			–	–	–	–	–	–	–	–	–
Investment properties			–	–	–	–	–	–	–	–	–
Other assets		6, 7	9,274	7,607	6,939	5,973	5,762	–	7,563	8,188	8,899
<b>TOTAL EXPENDITURE OTHER ITEMS</b>			17,797	76,645	135,365	148,445	148,852	–	156,604	163,581	171,528
<b>Renewal of Existing Assets as % of total capex</b>			0.0%	0.0%	0.0%	48.6%	36.3%	0.0%	14.4%	14.9%	14.4%
<b>Renewal of Existing Assets as % of deprecn"</b>			0.0%	0.0%	0.0%	15.6%	21.0%	0.0%	3.6%	2.8%	2.7%
<b>R&amp;M as a % of PPE</b>			1.2%	0.8%	0.7%	0.7%	0.8%	0.0%	1.0%	1.0%	1.2%
<b>Renewal and R&amp;M as a % of PPE</b>			0.0%	154.0%	140.0%	0.0%	0.0%	0.0%	206.0%	203.0%	207.0%

### **3.OVERVIEW OF BUDGET PROCESS**

#### **Political Oversight of Budget Process**

The concept of political oversight over the budget process is an important one and it is the key to ensuring that strategy informs the budget.

The political oversight role of the Mayor is contained in Section 53 (1)(a) and (b) of the Municipal Finance Management Act (MFMA). It requires that the Mayor must provide political guidance over the budget process and the priorities that guide the preparation of the budget. It further requires that the Mayor co-ordinate the revision of the IDP and the preparation of the annual budget and to determine how the IDP is to be taken into account for the purpose of the budget.

The demands on the Municipality to address service delivery backlogs and to improve service delivery to all of its citizens, within current financial resources, are challenging. Political oversight of the budget process is therefore essential to ensure that the priorities of the municipality are addressed through budget allocations.

#### **Schedule of Key Deadlines Relating of Budget Process**

One of the objectives of the budget timetable is to ensure the development/review of the IDP and the budget and also to ensure that a funded budget is tabled for consideration and approval. The timetable schedule for the compilation of the 2014/15 budget cycle was approved by Council during August 2013 in compliance with the MFMA.

#### **Process for Consultations with Stakeholder Groups and Outcomes [MFMA 21(1)(b)]**

Section 22 of the MFMA requires that after tabling of the annual budget in Council, the municipality must make public the draft budget and also invite the local communities to submit representations thereon. Accordingly the tabling of the draft budget in the Council on 28 March 2014 will be followed by the following activities:

- The Draft budgeted document to be published on the website generally to be distributed to libraries and other municipal offices to allow the wide invitation of comments and representations to the draft budget
- Submission of the Draft budget to Provincial and National Treasuries as well as Department of Provincial and Local Government
- Public meetings to be held in various wards during April and May 2014

#### **4.OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP**

This Integrated Development Plan (IDP) is prepared in compliance with the requirements of Chapter 5, particularly Section 25 of Local Government Municipal Systems Act (32 of 2000), which obliges a municipal council to adopt a single, all inclusive and strategic plan for the development of the municipality, within a prescribed period after the start of its elected term. It outlines a development agenda for the municipality for the next five years. The Lekwa Local Municipality has undertaken its IDP process for the 2014/5 financial year.

Council's Integrated Development Plan (IDP) to inform the 2014/15 financial year's budget is also tabled to Council today. The budget is aligned to the revised IDP. Due to the current financial situation of Lekwa Local Municipality we can only fund capital projects through the Municipal Infrastructure Grant which amounts to R 33.484 million. A few smaller projects will be funded from internally generated funds. Detail of the capital projects are contained in the table A5 2014/15 (Capital Budget) in section 4 above.

#### **5.MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS**

##### **7.1. OBJECTIVES OF THE PERFORMANCE MANAGEMENT SYSTEM**

The objective of institutionalising a performance management system beyond legislative compliance requirements is to:

- Facilitate increased accountability
- Facilitate learning and improvement
- Provide early warning signals
- Facilitate decision-making processes

The objectives are also for the performance management system to serve as a primary mechanism to monitor, review and improve the implementation of Municipality IDP through a performance management system.

##### **7.2. PRINCIPLES GOVERNING PERFORMANCE MANAGEMENT**

In developing a performance management system, the Municipality will be guided by the following principles:

- i. Both development and implementation of the system must be driven by Council and the executive management
- ii. The system must be owned by all relevant stakeholders within the municipality and be supported the other spheres of government
- iii. Communication must occur at all levels on an on-going basis
- iv. The value of PMS must be understood by all role-players and stakeholders
- v. The system must place the community at the centre of local government processes
- vi. The system must be developmental and not punitive
- vii. The system must be developed and implemented within the available capacity and resources of the municipality
- viii. The system should align to other municipal initiatives, systems and processes
- ix. The system must provide learning and growth opportunities through the coaching and review processes.



**The PMS must be implemented in such a manner that it:**

- a) Is developmental and not punitive in nature as employees will be provided with career opportunities and be allowed space to be creative and innovative in performing and improving their work;
- b) Provides a clear and detailed framework for:
  - i. reaching agreement on performance contracts
  - ii. clear KPIs, targets and standards that are agreed upon
  - iii. a balance between organisational needs and employee rights
- c) Allows for joint responsibility and accountability based on mutual trust and respect
- d) Is cost-effective and practical while enhancing improvement on quality
- e) Is applied consistently and documents and records both formal and informal feedback
- f) Is applied equitably and fairly
- g) Allows for honesty and transparency in its application
- h) Provides clear linkages between performance, recognition and reward
- i) Provides a clear guide on dealing with poor or non-performance
- j) Focuses on critical work activities

The following diagram outlines the process flow in respect of how planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed and also the roles of different stakeholders.

### 7.3. POLICY AND LEGISLATIVE FRAMEWORK

The Performance Management System is located within a legislative and policy framework and is influenced by the following:

- The White paper on Local Government (1998)
- The Municipal Systems Act (2000)
- The Municipal Planning and Performance Management Regulations (2001)

#### WHITE PAPER ON LOCAL GOVERNMENT 1998

The White Paper on Local Government (1998) nationally introduced Performance Management System to Local Government, as a tool to ensure developmental Local Government. The White Paper adds that: Involving communities in developing some municipal key performance indicators increases the accountability of the municipality. Some communities may prioritize the amount of time it takes a municipality to answer a query, others will prioritize the cleanliness of an area or the provision of water to a certain number of households. Whatever the priorities, by involving communities in setting key performance indicators and reporting back to communities on performance, accountability is to increase, and public trust in local government system enhanced.”

#### **BATHO PELE (1998)**

The word Batho-Pele is a Sotho word, which means people first. The White Paper on transforming public service delivery puts forward eight (8) principles for good public service whose priority is Batho-Pele. The following are such principles.

#### **CONSULTATION**

Citizens should be consulted about the level and quality of public service they receive, and where possible, should be given a choice about the services which are provided.

#### **SERVICE STANDARDS**

Citizens should know what standards of service to expect.

#### **ACCESS**

All citizens should have equal access to the services to which they are entitled.



#### COURTESY

Citizens should be treated with courtesy and consideration.

#### INFORMATION

Citizens should be given full and accurate information about the public services they are entitled to.

#### OPENNESS AND TRANSPARENCY

Citizens should know how departments are run, how resources are spent, and who is in charge of particular services.

#### REDRESS

If the promised standard of service is not delivered, citizens should be offered an apology, a full explanation, and a speedy and effective remedy, and when complaints are made, citizens should receive a sympathetic, positive response.

#### VALUE FOR MONEY

Public services should be provided economically and efficiently in order to give citizens the best possible value for money. Importantly, the Batho-Pele White Paper notes that the development of a service orientated culture requires the active participation of the wider community.

Municipalities need constant feedback from service-users if they are to improve their operations.”

#### THE MUNICIPAL SYSTEMS ACT (2000)

This Act requires of all municipalities to:

- Develop a performance management system
- Set targets, monitor and review performance based on indicators linked to their Integrated Development Plan
- Publish an annual report on performance for councillors, staff, the public and other spheres of government.
- Incorporate and report on set of general indicators prescribed nationally by the minister responsible for local government.
- Conduct an internal audit on performance before tabling the report.
- Involve the community in setting indicators and targets and reviewing municipal performance.
- Have their annual report on performance audited by the Auditor-General.

#### MUNICIPAL PLANNING AND PERFORMANCE MANAGEMENT REGULATIONS (2001)

The Municipal Planning and Performance (2001) is a set of regulations which clarifies the process how the Performance Management System and Integrated Development Plan should be conducted.

#### 7.4. LEKWA’S PERFORMANCE MANAGEMENT SYSTEM PROCESS: HOW IT WILL HAPPEN

The Performance Management System must have a detailed process planning (see the following figure) regarding the specific responsibilities delegated and time frames determined in conjunction with the legislation. Lekwa process of managing performance will involve the following core basic components:

##### 1. PLANNING

This will involve the annual drafting and adoption of the Performance Management System Framework by Council as part of the Integrated Development Plan.

##### 2. IMPLEMENTATION

This means putting the performance plan into action, to implement the targets agreed upon.

### 3. MEASURING

This is the quarterly evaluation of reports and progress achieved on specific projects/targets.

### 4. MONITORING

This is about constant submission, if possible, at least quarterly, reports and evaluation during and after every phase.

### 5. REPORTING

This involves giving the report about the outcomes of performance in trying to achieve the set objectives and targets as set out in the Municipality's Integrated Development Plan via the Ward Committees.

### 6. STAKEHOLDERS

These are responsible bodies or parties that will see to the driving of the Performance Management Process within Lekwa.

## **6.OVERVIEW OF BUDGET-RELATED POLICIES**

It is a legislative requirement that municipal budget for the following fiscal year, together with finance related policies reviewed are tabled and adopted by council.

The following financial policies have been changed:

#### 1. The Supply Chain Management Policy

The policy ensures that all employees of Lekwa Local Municipality has proper guidelines to follow when involved in procurement processes.

#### 2. Property Rates Policy

This policy guides the annual setting (or revision) of property rates. Details pertaining to the applications of the various property rates are published in the Provincial Gazette and the municipality's schedule of tariffs, which must be read in conjunction with this policy.

In imposing the rate in the rand for each annual operating budget component, the municipality shall grant exemptions, rebates and reductions to the respective categories of properties and owners as allowed for in this policy.

The policy also guides the valuation of properties within the jurisdiction of the Municipality.

#### 3. Asset Management Policy

The purpose of the policy should promote efficient and effective monitoring and control of assets according to the MFMA.

The changes have been made in term of Generally Recognised Accounting Practice (GRAP)

#### 4. Indigent Support Policy

The key purpose of an indigent subsidy policy is to ensure that households with no or lower income are not denied a reasonable service, and on the contrary the Municipality is not financially burdened with non-payment of services. Provided that grants are received and

funds are available, the indigent subsidy policy should remain intact. To achieve the purpose it is important to set a fair threshold level, and then to provide a fair subsidy of tariffs.

The consumer, in order to qualify as an indigent, needs to complete the necessary documentation as required and agree to regulations and restrictions stipulated by Lekwa Local Municipality.

#### 5. Bad Debt Provision & Write-off Policy

The key purpose of this policy is to provide criteria for the provision of working capital as a result of non-payment and for the write-off of debt under certain circumstances.

Council acknowledges that in order to deliver services in a sustainable manner, that revenue collection be managed in terms of Councils Debt Collection and Credit Control Policy having due regard of its limited financial resources and the need to manage cash flows. Council therefore accepts its duty to prepare financial statements that truly reflects the financial position of the Municipality.

#### 6. Petty Cash Policy

The policy is established to ensure that the management of expenditure of a municipality is effective and controlled manner.

#### 7. Credit Control and Debt Collection Policy

The purpose of this policy is to use innovative, cost effective, efficient and appropriate methods to manage credit control and debt collection of the municipality

#### 8. Tariff Policy

This policy cover, among other things, the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements.

#### 9. Budget Policy

The main importance of budget policy is to address allocation of resources, and how to efficiency use resources and attaining economic stability and growth, and redistribution of income. It includes the Virement Policy that is designed to provide a framework whereby transfers between line items within votes of the operating budget may be performed with the approval of certain officials.

#### 10. S & T Policy

The purpose of this policy is to lay down general rules for the payment of subsistence and traveling allowances or costs for the attendance of approved events outside the municipal area of Lekwa Local Municipality.

## **7.OVERVIEW OF BUDGET ASSUMPTIONS**

### **Inflation Forecast and National Treasury guidelines**

Inflation is forecast to remain within the target range of 5.6% to 5.4%, edging downward towards 2017. This was taken into account when the budget was compiled. Municipalities must take into account the multi-year Salary and Wage Collective Agreement for the period 1 July 2012 to 30 June 2015. Municipalities were advised by National Treasury to provide for increases related to salaries and wages as follows

- 2014/15 – 6.8% (5.8% +1%)

- 2015/16 – 6.4% (5.4% + 1%)

- 2016/17 – 6.4% (5.4%+1%)

An additional amount of 2.0 million was included to fill critical vacant positions in the 2014/15 financial year.

Electricity - Tariff increase of 7.39 % is allowed

- Increase in bulk purchases from Eskom is 8.06%

Water & Sanitation - cost reflective tariffs are to be implemented in 2014.

Solid Waste - cost reflective tariffs are to be implemented in 2015.

Free basic services to be provided to indigent households only

Renewal & Repairs & Maintenance of Existing assets:

- 40% of the 2014/15 capital budget should be for renewal of assets – if not the Municipality needs to motivate.

- If the amount budgeted for repairs & maintenance is less than 8% of asset value (write down value) the Municipality needs to motivate.

## Payment factor

The following assumptions were incorporated into the draft budget:

REVENUE SOURCE	Bad Debt Provision %	Bad Debt 2013/14	2014/15 Bad Debt %	2014/15 Bad Debt	2015/16 Bad Debt %	2015/16 Bad Debt	2016/17 Bad Debt %	2016/17 Bad Debt
ASSESSMENT RATES	52.97%	25,831,551	41.97%	19,457,640	32.47%	16,759,820	23.47%	12,412,230
INTEREST ACCOUNTS IN ARREARS	85.72%		74.72%	13,183,490	65.22%	12,574,580	56.22%	11,736,840
CLEANSING SERVICES	61.56%	7,937,700	50.56%	6,691,580	41.06%	5,909,690	32.06%	4,950,800
SEWERAGE CHARGES	62.72%	14,428,284	51.72%	12,225,120	42.22%	10,857,430	33.22%	9,174,190
ELECTRICITY	20.15%	-	15.15%	0	10.65%	0	6.15%	0
ELECTRICITY SAKHILE	20.15%	-	15.15%	0	10.65%	0	6.15%	0
PRE-PAID ELECTRICITY	20.15%	-	15.15%	0	10.65%	0	6.15%	0
SHOPS: PRE-PAID ELECTRICITY	20.15%	-	15.15%	0	10.65%	0	6.15%	0
SALE OF ELECTRICITY	20.15%	28,726,761	15.15%	18,776,900	10.65%	14,079,860	6.15%	7,366,440
SALE OF ELECTRICITY BULK(Noble/Astral)	20.15%	-	15.15%	0	10.65%	0	6.15%	0
SALE OF WATER	63.27%	24,117,872	52.27%	20,482,870	42.77%	18,237,960	33.77%	15,470,370
		101,042,169		90,817,600		78,419,340		61,110,870
OVERALL PAYMENT RATE		67.53%		73.98%		81.17%		86.45%
BAD DEBT PROVISION		94,708,039		90,817,600		78,419,340		61,110,870
LESS/ADD INDIGENT SUPPORT SUBSIDY		6,334,130		6,688,840		6,956,390		7,332,040
TOTAL DEBT IMPAIRMENT		101,042,169		97,506,440		85,375,730		68,442,910

## 8.OVERVIEW OF BUDGET FUNDING

The main sources of revenue/funding are indicated in the table below:

OVERVIEW OF BUDGET FUNDING					
Exp Type Description		Sum of 0+	Sum of 1+	Sum of 1+	
	Item Name	2014/15 Budget	2015/16 Budget	2016/17 Budget	
[-] Assessment Rates	ASSESSMENT RATES	-52,600,000	-55,230,000	-57,991,500	
[-] Dept Services	DEPARTEMENTAL SERVICES	0	0	0	
[+] Fines		-4,594,360	-5,030,820	-5,471,000	
[-] Interest earned - bank	INTEREST-BANK ACCOUNT	-254,890	-279,100	-303,520	
[-] Interest earned - outstanding debtors	INTEREST ACCOUNTS IN ARREARS	-18,200,400	-19,929,440	-21,673,270	
[-] Other Income	OTHER INCOME	0	0	0	
[+] Rental of facilities and equipment		-634,140	-694,400	-755,160	
[+] Service charges & other		-413,932,000	-452,393,440	-488,710,010	
		-490,215,790	-533,557,200	-574,904,460	
		-490,215,790	-533,557,200	-574,904,460	

## Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

**MP305 Lekwa Supporting Table SA10 Funding measurement**

Description	MFMA section	Ref	2010/11	2011/12	2012/13	Current Year 2013/14		2014/15 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Funding measures										
Cash/cash equivalents at the year end - R'000	18(1)b	1	8 941	15 273	16 300	15 535	(99 503)	(54 138)	(80 386)	(79 861)
Cash + investments at the yr end less applications - R'000	18(1)b	2	(5 064)	(102 692)	(199 592)	(23 572)	(27 263)	(213 970)	223 267	10 079
Cash year end/monthly employee/supplier payments	18(1)b	3	0.4	0.5	0.4	0.4	(2.6)	(1.3)	(1.9)	(1.8)
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(25 071)	(121 818)	(197 092)	(157 348)	(198 187)	(192 834)	(170 144)	(149 372)
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	7.5%	26.6%	(0.6%)	(11.2%)	9.3%	4.1%	2.2%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	72.3%	83.0%	75.5%	76.9%	68.0%	74.7%	79.2%	84.1%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	10.4%	16.6%	24.6%	17.3%	30.3%	25.2%	19.7%	14.2%
Capital payments % of capital expenditure	18(1)c;19	8	73.6%	80.1%	87.6%	100.0%	179.9%	0.0%	0.0%	0.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10						0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	39.8%	(10.7%)	(20.1%)	0.0%	123.3%	661.0%	(36.8%)
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	1.2%	0.8%	0.7%	0.7%	0.8%	1.0%	1.0%	1.2%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	48.6%	65.4%	14.4%	14.9%	14.4%

## 9. EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

Grants and subsidies from National and Provincial governments, as reported in the 2014 Division of Revenue Act and reflected in SA 19, have been included the 2014/15 budget and each allocation will be utilised for the purpose as described below.

TYPE OF GRANT	2014/15 R000	2015/16 R000	2016/17 R000
<b>EQUITABLE SHARE</b>	<b>85.036</b>	<b>88.237</b>	<b>89.898</b>
<b>FINANCE MANAGEMENT GRANT</b>	<b>1.600</b>	<b>1.650</b>	<b>1.700</b>
<b>MSIG</b>	<b>0.934</b>	<b>0.967</b>	<b>1.019</b>
<b>EPWP</b>	<b>1.190</b>	<b>-</b>	<b>-</b>
<b>MIG</b>	<b>33.994</b>	<b>28.217</b>	<b>29.337</b>
<b>INEP</b>	<b>1.500</b>	<b>3.000</b>	<b>5.000</b>

### National Grant Allocations

#### **Equitable Share**

The equitable share is an unconditional grant and as such can be regarded as general revenue, however, it is a matter of co-operative governance that municipalities should prioritise its expenditure budget towards poor households and national priorities like free basic services.

#### **Municipal Infrastructural Grant (MIG)**

The Municipal Infrastructural Grant (MIG) is entering its tenth year of implementation in the 2014/15 financial year. It resulted from the consolidation of various capital grants for municipal infrastructure (CMIP, Water Services Projects, CBPWP, LEDF, BSRP and the Urban Transport Fund) into a new funding arrangement.

The Municipal Infrastructural Grant is a conditional grant which gives effect to national objectives to:

- Expand the delivery of basic services to all households, including the delivery of free basic services to poor households and other poverty alleviating objectives.
- Stimulate local economic development and job creation over the medium term.

The MIG funding will be utilised for the upgrading of water treatment works, upgrading of waste water treatment works, replacement of ac pipes to pvc pipes and installation of water & sanitation within the rural areas of Lekwa Local Municipality.

#### **Finance Management Grant**

The Finance Management Grant is a capacity building grant provided by National Treasury to assist municipalities in building management planning, technical and financial management skills and capacity for effective service delivery.

It will be utilised for the upgrading of skills and capacity of the Finance officials for workshops and training programmes, funding financial programmes with a view to capacitate financial systems, as well as for the remuneration of the interns currently employed by the

municipality and cover costs of their training and its facilities. There are currently seven interns employed.

### **Municipal Systems Improvement Grant**

This grant is provided by the Department of Cooperative Governance and Traditional Affairs to assist municipalities to build in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Systems Act, 2000 and other related legislation.

The grant may be apportioned for, depending on the submitted and approved activity plan, the engagement of ward committees, IDP review processes, implementation of Municipal Property Rates Act and GRAP conversion requirements

## **10. ALLOCATIONS AND GRANTS MADE BY LEKWA MUNICIPALITY**

None.

## **11. COUNCILLOR AND EMPLOYEE BENEFITS**

**MP305 Lekwa - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/se**

Disclosure of Salaries, Allowances & Benefits 1.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum		1.				2.
<b>Councillors</b>						
Speaker	396 576	59 486	167 101			623 163
Chief Whip	371 791	55 769	168 860			596 419
Executive Mayor	495 721	74 358	217 345			787 424
Deputy Executive Mayor						–
Executive Committee	1 115 372	167 306	506 579			1 789 257
Total for all other councillors	3 928 585	589 288	2 188 925			6 706 798
<b>Total Councillors</b>	<b>6 308 044</b>	<b>946 207</b>	<b>3 248 811</b>			<b>10 503 061</b>



## 12. MONTHLY TARGET FOR REVENUE & EXPENDITURE & CSAH FLOW

**MP305 Lekwa - Supporting Table SA30 Budgeted monthly cash flow**

MONTHLY CASH FLOWS	Budget Year 2014/15											
	July	August	Sept.	October	November	December	January	February	March	April	May	June
<b>R thousand</b>												
<b><u>Cash Receipts By Source</u></b>												
Property rates	2 669	2 669	2 669	2 669	2 669	2 669	2 669	2 669	2 669	2 669	2 669	2 669
Service charges - electricity revenue	17 156	17 156	17 156	17 156	17 156	17 156	17 156	17 156	17 156	17 156	17 156	17 156
Service charges - water revenue	1 630	1 630	1 630	1 630	1 630	1 630	1 630	1 630	1 630	1 630	1 630	1 630
Service charges - sanitation revenue	995	995	995	995	995	995	995	995	995	995	995	995
Service charges - refuse revenue	571	571	571	571	571	571	571	571	571	571	571	571
Rental of facilities and equipment	50	50	50	50	50	50	50	50	50	50	50	50
Interest earned - external investments	21	21	21	21	21	21	21	21	21	21	21	21
Interest earned - outstanding debtors	383	383	383	383	383	383	383	383	383	383	383	383
Fines	242	242	242	242	242	242	242	242	242	242	242	242
Agency services	1 361	1 361	1 361	1 361	1 361	1 361	1 361	1 361	1 361	1 361	1 361	1 361
Transfer receipts - operational	30 078				30 078				30 078			
Other revenue	128	128	128	128	128	128	128	128	128	128	128	128
<b>Total Cash Receipts by Source</b>	<b>55 285</b>	<b>25 206</b>	<b>25 206</b>	<b>25 206</b>	<b>55 285</b>	<b>25 206</b>	<b>25 206</b>	<b>25 206</b>	<b>55 285</b>	<b>25 206</b>	<b>25 206</b>	<b>25 206</b>
<b><u>Cash Payments by Type</u></b>												
Employee related costs	10 589	10 589	10 589	10 589	10 589	10 589	10 589	10 589	10 589	10 589	10 589	10 589
Remuneration of councillors	875	875	875	875	875	875	875	875	875	875	875	875
Finance charges	64	64	64	64	64	64	64	64	64	64	64	64
Bulk purchases - Electricity	17 070	17 070	17 070	17 070	17 070	17 070	17 070	17 070	17 070	17 070	17 070	17 070
Bulk purchases - Water & Sewer	687	687	687	687	687	687	687	687	687	687	687	687
Other materials	424	424	424	424	424	424	424	424	424	424	424	424
Contracted services	2 195	2 195	2 195	2 195	2 195	2 195	2 195	2 195	2 195	2 195	2 195	2 195
Transfers and grants - other	392	392	392	392	392	392	392	392	392	392	392	392
Other expenditure	4 941	4 941	4 941	4 941	4 941	4 941	4 941	4 941	4 941	4 941	4 941	4 941
<b>Total Cash Payments by Type</b>	<b>37 237</b>	<b>37 237</b>	<b>37 237</b>	<b>37 237</b>	<b>37 237</b>	<b>37 237</b>	<b>37 237</b>	<b>37 237</b>	<b>37 237</b>	<b>37 237</b>	<b>37 237</b>	<b>37 237</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>18 047</b>	<b>(12 031)</b>	<b>(12 031)</b>	<b>(12 031)</b>	<b>18 047</b>	<b>(12 031)</b>	<b>(12 031)</b>	<b>(12 031)</b>	<b>18 047</b>	<b>(12 031)</b>	<b>(12 031)</b>	<b>(12 031)</b>

### **13. ANNUAL SDBIP – INTERNAL DEPARTMENTS**

The Annual SDBIP gives effect to the implementation of the IDP and Budget of the Municipality. The IDP Objectives, Key Performance Indicators and Targets aligned to the Budget within each Key Performance Area in the Multi-year Municipal Performance Plan informs the SDBIP for the 2014/15 financial year and breaks it up into quarterly targets.

The Budget should ensure the implementation of the strategic priorities of the Municipality through the allocation of financial resources. The Budget is not an implementation or management plan. The SDBIP therefore serves as a “contract” between the administration, council and the communities expressing the IDP Objectives (within each KPA) set by Council as quantifiable outputs that can be implemented by the administration in a specific financial year. This provides the basis for measuring performance in service delivery against end-of-year targets and implementing the budget.

The SDBIP is a layered plan with the top layer dealing with consolidated service delivery targets and in-year deadlines and linking such targets to the top management of the Municipality. Once the top-layer targets are set, the top management must then develop the next (lower) layer of detail of the SDBIP, by providing more detail on each output for which they are responsible for, and breaking up such outputs into smaller outputs and linking these to each junior manager.

“Top layer” SDBIP is used as a framework for the organisational Performance Management System. In terms of the individual performance management, the contracts for the Municipal Manager and section 56 managers have been implemented and the evaluation is done on a quarterly basis. As part of good governance the PMS will be introduced and cascaded down to the operational level in terms of operational KPI’s and performance agreements for Section 56 managers. The implementation of the IDP and Budget is monitored, evaluated, reported and measured through the integrated

Performance Management System (PMS) is designed to ensure that the resources available to the Municipality are directed at the delivery of prioritised projects, programmes and operations that meet the agreed IDP Objectives. Monitoring, evaluating, measuring and reporting performance will also assist the Municipality:

- To make immediate and appropriate changes in the prioritized delivery process and to adjust resources accordingly;
- Identify and overcome major or systemic blockages in the delivery process and Guide future planning on development objectives and resource use

**NB SDBIP** – will be available in May 2014 when the Executive table the final budget for approval.

### **14. ANNUAL BUDGETS AND SERVICE DELIVERY AGREEMENTS – MUNICIPAL ENTITIES**

None

### **15. CONTRACT HAVING FUTURE BUDGETARY IMPLICATIONS**

None in terms of section 33 (1) that exceeds 3 years.

## **16. CAPITAL EXPENDITURE DETAIL**

The table below provides the details of projects included in the 2014-15 MTREF capital budget as well as the source of funding:

Project No	Project Description	Sector	Funding Source	Proposed Budget for 2014/2015	Proposed Budget for 2015/2016	Proposed Budget for 2016/2017
1	Upgrade of Standerton Water Treatment Works	Water	MIG	R 10 000 000.00	R 8 000 000.00	R 9 370 150.00
2	Standerton Waste Water Treatment Works Upgrade	Sanitation	MIG	R 15 794 300.00	R 12 000 000.00	R 12 000 000.00
3	Replacement of AC pipes with PVC Pipes	Water	MIG	R 5 000 000.00	R 4 000 000.00	R 4 000 000.00
4	Installation of Boreholes in Rural Areas	Water	MIG	R 1 500 000.00	R 1 500 000.00	R 1 500 000.00
5	Installation of Sanitation services in Rural areas of Lekwa LM	Sanitation	EPWP	R 1 190 000.00		
6	Installation of Sanitation services in Rural areas of Lekwa LM	Sanitation	MIG		R 1 306 150.00	R 1 000 000.00
7	Vehicles	Budget & Treasury	INTERNAL FUNDING	R 900 000.00		
8	Furniture & Office Other Equipments	Budget & Treasury	INTERNAL FUNDING	R 400 000.00		

## **17. LEGISLATION COMPLIANCE STATUS**

### **Municipal Finance Management Act**

The Municipal Finance Management Act, No. 56 of 2003 came into effect on 1 July 2004. The Lekwa Local Municipality was identified as a High Level Municipality, and as such had the responsibility of implementing the Act with few exemptions/delays allowed. The following main processes have been implemented in terms of the Municipal Finance Management Act:

- The budget process.
- Supply Chain Management. (Establishment of unit in progress)
- Conversion of Financial Statements to GRAP.
- Financial in-year reporting.
- Adjustment budgeting
- Annual reporting.
- Compilation and implementation of various policies.
- Compilation of procedural notes for main financial accounting processes.
- The budget and Treasury office has been established in accordance with the requirements (Implementation of new organogram for BTO in progress)
- Service Delivery and Budget Implementation plans are applied as monitoring tools
- Audit Committee has been established

### **Municipal Property Rates Act**

The municipality is currently preparing the General Valuation which will be implemented as from the 1<sup>st</sup> July 2014. The objection process has not been finalised to date and the Municipality is busy to finalise the section 53 notices to the objectors.

### **Compliance with Circular 51: Municipal Budget and Reporting Regulations**

The 2014/15 budget has been prepared to comply with the requirements of the enacted Municipal Budget and Reporting Regulations. It for this reason that Council is urged to acquaint itself with the format, since Council will be expected to scrutinize and approved the budget prepared in terms of Gazette 32141.

### **Other Legislation**

Lekwa Local Municipality has complied with a number of other legislation, including the Local Government Municipal Systems Act, gazettes and circulars issued by National Treasuries on a continuous basis.

## **18. OTHER SUPPORTING DOCUMENTS**

The other supporting documents will be available in May 2014 when the Executive table the final budget for approval.

## **19. ANNUAL BUDGETS OF MUNICIPAL ENTITIES ATTACHED TO THE MUNICIPALITY'S ANNUAL BUDGET**

None

**MUNICIPAL MANAGERS QUALITY CERTIFICATION**

I, LB Tshabalala Municipal Manager of Lekwa Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

**Municipal manager of Lekwa Local Municipality**

**Signature**

A handwritten signature in black ink, appearing to read 'LB Tshabalala', is written over a horizontal line.

**Date**

**14 MAY 2014**